

# Report structure

The Department of Justice and Community Safety (department) has presented its audited general purpose financial statements for the financial year ended 30 June 2021 in the following structure to provide users with information about the department's stewardship of resources entrusted to it.

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## Declaration in financial statements

The attached financial statements for the Department of Justice and Community Safety have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2021 and financial position of the department as at 30 June 2021.

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

We authorise the attached financial statements for issue on 14 October 2021.



**Sara Rakers**

Acting Chief Finance Officer  
Department of Justice and Community Safety

Melbourne  
14 October 2021



**Rebecca Falkingham**

Secretary  
Department of Justice and Community Safety

Melbourne  
14 October 2021

# Independent Auditor's Report

## *To the Secretary of the Department of Justice and Community Safety*

<b>Opinion</b>	<p>I have audited the financial report of the Department of Justice and Community Safety (the Department) which comprises the:</p> <ul style="list-style-type: none"> <li>• Balance sheet as at 30 June 2021</li> <li>• Comprehensive operating statement for the year then ended</li> <li>• Statement of changes in equity for the year then ended</li> <li>• Cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration in financial statements.</li> </ul> <p>In my opinion the financial report presents fairly the financial position of the Department as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Key audit matters</b>	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

Key audit matter	How I addressed the matter
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## Estimation of provision for expected credit losses for administered fines and fees receivables

Refer to Note 4.3 Administered Items

<p><b>Administered fines and fees receivable:</b>  Net fines and fees receivables -  \$268.26 million  Gross fines and fees receivables -  \$2,607.75 million  Loss on statutory receivables for the year -  \$134.23 million</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>administered fines and fees receivable and provision for expected credit losses are financially significant</li> <li>estimating the provision for expected credit losses is complex and involves significant management judgements, underpinned by various subjective assumptions about the future collectability of fines and fees receivable</li> <li>management applied a significant change to the modelling used to estimate the expected credit losses at 30 June 2021. The change in estimate has a significant impact on the estimated credit losses in the current and future periods. Extensive disclosures are required to address this change in accounting estimate by AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i></li> <li>\$298.79 million of fines and fees receivables, considered impaired in previous reporting periods, was written off as uncollectable at 30 June 2021.</li> </ul>	<p>In responding to this key audit matter, with the assistance of data analytic experts where necessary, my procedures included:</p> <ul style="list-style-type: none"> <li>gaining an understanding of the end-to-end business process for administered fines and fees receivable, including management's approach to estimating the expected credit losses</li> <li>evaluating the design, implementation and operating effectiveness of relevant key controls over the expected credit loss estimation process</li> <li>assessing management's credit loss estimation process and model by: <ul style="list-style-type: none"> <li>validating mathematical accuracy</li> <li>verifying the completeness and accuracy of financial and non-financial data inputs</li> <li>assessing the appropriateness of key judgements and assumptions made by management</li> <li>assessing the appropriateness of the change in accounting estimate applied at 30 June 2021 and the financial effect of this change</li> </ul> </li> <li>evaluating the methodology for estimating uncollectable debts written off at 30 June 2021</li> <li>reviewing the disclosures around the change in accounting estimate for compliance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</li> </ul>
<p><b>The Secretary's responsibilities for the financial report</b></p>	<p>The Secretary of the Department is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Secretary determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Secretary is responsible for assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

<b>Auditor's responsibilities for the audit of the financial report</b>	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> <li>• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li> <li>• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary.</li> <li>• conclude on the appropriateness of the Secretary's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.</li> <li>• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.</li> </ul>
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<b>Auditor's responsibilities for the audit of the financial report (continued)</b>	<p>I communicate with the Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p> <p>From the matters communicated with the Secretary, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</p>
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MELBOURNE  
18 October 2021



Andrew Greaves  
Auditor-General

# Comprehensive operating statement

For the financial year ended 30 June 2021

(\$ thousand)

	Note	2021	2020
<b>Income from transactions</b>			
Output appropriations	2.2	10,399,248	8,329,480
Special appropriations	2.3	54,659	3,503
Interest income	2.4	4,036	12,928
Grant income	2.5	95,520	39,373
Other income	2.6	51,386	72,073
<b>Total income from transactions</b>		<b>10,604,849</b>	<b>8,457,357</b>
<b>Expenses from transactions</b>			
Employee benefit expense	3.2.1	(1,631,707)	(1,131,153)
Depreciation and amortisation	5.2.3	(200,413)	(170,768)
Interest expense <sup>(i)</sup>	7.2	(57,309)	(55,927)
Grant expense	3.3	(6,689,656)	(5,693,183)
Capital asset charge	3.4	(299,581)	(213,899)
Supplies and services <sup>(i)</sup>	3.5	(1,663,190)	(1,198,836)
<b>Total expenses from transactions</b>		<b>(10,541,856)</b>	<b>(8,463,766)</b>
<b>Net result from transactions (net operating balance)</b>		<b>62,993</b>	<b>(6,409)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets <sup>(ii)</sup>	9.3	2,753	2,309
Net gain/(loss) on financial instruments <sup>(iii)</sup>	9.3	3,734	(9,057)
Other gains/(losses) from other economic flows	9.3	7,503	(5,623)
<b>Total other economic flows included in net result</b>		<b>13,990</b>	<b>(12,371)</b>
<b>Net result</b>		<b>76,983</b>	<b>(18,780)</b>
<b>Other economic flows – other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus	9.4	(42,608)	300,280
<b>Total other economic flows – other comprehensive income</b>		<b>(42,608)</b>	<b>300,280</b>
<b>Comprehensive result</b>		<b>34,375</b>	<b>281,500</b>

(i) The 2019–20 comparative has been adjusted to reclassify an expense from supplies and services to interest expense.

(ii) Includes gains/(losses) from impairments and disposals of property, plant and equipment and intangible assets.

(iii) Includes bad and doubtful debts from other economic flows, and gains/(losses) from investments.

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



# Balance sheet

As at 30 June 2021

		(\$ thousand)	
	Note	2021	2020
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	7.5	336,067	170,202
Receivables	6.2	1,585,408	1,400,096
Investments and other financial assets	5.4	179,890	203,213
<b>Total financial assets</b>		<b>2,101,365</b>	<b>1,773,511</b>
<b>Non-financial assets</b>			
Prepayments		14,961	4,789
Inventories		17,004	16,495
Non-financial assets classified as held for sale		216	541
Property, plant and equipment	5.2	4,486,830	3,972,067
Intangible assets	5.3	74,861	64,391
<b>Total non-financial assets</b>		<b>4,593,872</b>	<b>4,058,283</b>
<b>Total assets</b>		<b>6,695,237</b>	<b>5,831,794</b>
<b>Liabilities</b>			
Payables	6.3	1,387,448	1,156,491
Borrowings	7.2	962,754	691,497
Employee benefit provisions	3.2.2	348,848	297,664
Other provisions		12,818	15,995
<b>Total liabilities</b>		<b>2,711,868</b>	<b>2,161,647</b>
<b>Net assets</b>		<b>3,983,369</b>	<b>3,670,147</b>
<b>Equity</b>			
Accumulated surplus		1,144,281	1,067,298
Physical asset revaluation surplus	9.4	869,222	911,830
Contributed capital		1,969,866	1,691,019
<b>Net worth</b>		<b>3,983,369</b>	<b>3,670,147</b>

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

# Cash flow statement

For the financial year ended 30 June 2021

		(\$ thousand)	
	Note	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from government		10,321,772	8,227,333
Receipts from other entities		95,520	39,373
Goods and services tax recovered from Australian Tax Office (i)		214,474	140,104
Interest received		4,133	14,310
Dividends received		6,117	10,154
Other receipts		198,272	102,479
<b>Total receipts</b>		<b>10,840,288</b>	<b>8,533,753</b>
<b>Payments</b>			
Payments of grant expenses		(6,689,656)	(5,693,183)
Payments to suppliers and employees (ii)		(3,491,528)	(2,366,713)
Capital asset charge payments		(299,581)	(213,899)
Interest and other costs of finance paid (ii)		(57,309)	(55,927)
<b>Total payments</b>		<b>(10,538,074)</b>	<b>(8,329,722)</b>
<b>Net cash flows from/(used in) operating activities</b>	7.5.1	<b>302,214</b>	<b>204,031</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(19,565)	(10,154)
Proceeds from sale of investments		51,500	5,000
Purchases of non-financial assets		(723,107)	(264,303)
Sales of non-financial assets		4,723	5,509
<b>Net cash flows from/(used in) investing activities</b>		<b>(686,449)</b>	<b>(263,948)</b>
<b>Cash flows from financing activities</b>			
Cash received from machinery of government changes		3,381	231
Cash received from capital appropriations		764,973	230,763
Capital contribution passed on to agencies within portfolio		(64,128)	(68,082)
Equity transfers within government		(422,797)	(54,422)
Proceeds from borrowings		302,037	0
Repayment of borrowings		(33,366)	(39,454)
<b>Net cash flows from/(used in) financing activities</b>		<b>550,100</b>	<b>69,036</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>165,865</b>	<b>9,119</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>170,202</b>	<b>161,083</b>
<b>Cash and cash equivalents at end of financial year</b>	7.5	<b>336,067</b>	<b>170,202</b>

(i) Goods and services tax recovered from the Australian Tax Office is presented on a net basis.

(ii) The 2019–20 comparative has been adjusted to reclassify an expense from payments to suppliers and employees to interest and other costs of finance paid.

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

# Statement of changes in equity

For the financial year ended 30 June 2021

(\$ thousand)

	Note	Accumulated surplus	Physical asset revaluation surplus	Contributed capital	Total
<b>Balance at 1 July 2019</b>		<b>1,086,078</b>	<b>611,550</b>	<b>1,575,533</b>	<b>3,273,161</b>
Net result for year		(18,780)	0	0	(18,780)
Other comprehensive income for year		0	300,280	0	300,280
Capital appropriations		0	0	230,763	230,763
Capital contribution passed onto agencies within portfolio		0	0	(68,082)	(68,082)
Equity transfer within government		0	0	(48,952)	(48,952)
Capital contribution received from machinery of government changes		0	0	1,757	1,757
<b>Balance at 30 June 2020</b>		<b>1,067,298</b>	<b>911,830</b>	<b>1,691,019</b>	<b>3,670,147</b>
<b>Balance at 1 July 2020</b>		<b>1,067,298</b>	<b>911,830</b>	<b>1,691,019</b>	<b>3,670,147</b>
Net result for year		76,983	0	0	76,983
Other comprehensive income for year		0	(42,608)	0	(42,608)
Capital appropriations		0	0	764,973	764,973
Capital contribution passed onto agencies within portfolio		0	0	(64,128)	(64,128)
Equity transfer within government		0	0	(422,796)	(422,796)
Capital contribution received from machinery of government changes		0	0	798	798
<b>Balance at 30 June 2021</b>		<b>1,144,281</b>	<b>869,222</b>	<b>1,969,866</b>	<b>3,983,369</b>

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

# Notes to financial statements

## 1. About this report

The Department of Justice and Community Safety (department) is a government department of the State of Victoria, established pursuant to an order made by the Premier under the *Public Administration Act 2004*. It is an administrative agency acting on behalf of the Crown.

A description of the nature of its operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

### Basis of preparation

These financial statements have been prepared on an accruals basis, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Transactions and balances are based on historical costs unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The functional and presentation currency is the Australian dollar. Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

Judgements, estimates and assumptions are made in applying Australian Accounting Standards. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements, assumptions and estimates that have significant effects on the financial statements are disclosed in the notes under the heading 'significant judgements or estimates'.

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

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

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

The following agencies have been aggregated into the department's financial statements under section 53(1)(b) of the *Financial Management Act 1994*. These agencies are reported in aggregate and are not controlled by the department:

- Business Licensing Authority, established under the *Business Licensing Authority Act 1998*.
- Office of the Road Safety Camera Commissioner, established under the *Road Safety Camera Commissioner Act 2011*.
- Office of the Victorian Information Commissioner, established under the *Freedom of Information Amendment (Office of the Victorian Information Commissioner) Act 2017*.
- Post Sentence Authority, established under the *Serious Sex Offenders (Detention and Supervision) Amendment (Governance) Act 2017*.

In preparing these financial statements, all material transactions and balances between consolidated entities are eliminated.

### Compliance information

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

Where appropriate, those Australian Accounting Standards' paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## 2. Funding delivery of services

### 2.1 Introduction

The department's key objectives are:

- Ensuring community safety through policing, law enforcement and prevention activities
- Reduce the impact of, and consequences from, natural disasters and other emergencies on people, infrastructure, the economy and the environment
- Effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation
- Effective supervision of children and young people through the provision of youth justice
- A fair and accessible justice system that supports confidence in the Victorian community
- Victorians are protected with equal opportunities, secure identities, information freedoms and privacy rights
- A fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling sectors

To enable the department to fulfil its objectives and provide outputs as described in note 4, it receives income (predominantly accrual based parliamentary appropriations). Income that funds the delivery of the department's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

#### 2.1.1 Revenue from contracts with customers

Revenue recognised under AASB 15 *Revenue from contracts with customers* is measured based on the consideration specified in the contract with the customer. The revenue is recognised when the department transfers control of a good or service to the customer, i.e. when the performance obligations for the sale of the goods or services to the customer are satisfied. Revenue from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises. Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed, and over time when the customer simultaneously receives and consumes the services as it is provided.

#### 2.1.2 Income of not-for-profit entities

Income recognised under AASB 1058 *Income of not-for-profit entities*, which do not have sufficiently specific obligations or that are not enforceable, is recognised when the department has an unconditional right to receive cash which usually coincides with receipt of cash.

## 2.2 Summary of compliance with annual parliamentary appropriations

Appropriation is an authority given by the Victorian State Parliament to draw certain sums out of the State's Consolidated Fund, now or at some future point in time, for the purposes stated, up to the limit of the amount in a particular Act.

Annual appropriations are set out in the annual *Appropriation Act* and provide for the ordinary annual services of the State Government for a specific financial year. The Act outlines the amount of public money appropriated to each department for the 'provision of outputs', 'additions to net asset base', 'payments made on behalf of the State' and other appropriations specified in the Act for a given financial year.

Output appropriations as shown in the comprehensive operating statement are the appropriations recognised for the 'provision of outputs' delivered by the department in a particular financial year. Output appropriations are recognised under AASB 1058 *Income of not-for-profit entities*.

Capital appropriations as shown in the statement of changes in equity are the appropriations recognised for 'additions to net asset base' of the department in a particular financial year. Capital appropriations are recognised under AASB 1004 *Contributions*.

Appropriations for payments made on behalf of the State as shown in note 4.3 are the appropriations recognised for payments made on behalf of the State in a particular financial year. Appropriations for payments made on behalf of the State are recognised under AASB 1058.

Appropriations in relation to the Victorian Law Reform Commission are shown below for completeness, but are not reflected elsewhere within the department's financial statements. Appropriations in relation to the Victorian Law Reform Commission are recognised under AASB 1058.

The amount of appropriation recognised each year depends on the department's performance in delivering its provision of outputs and additions to net asset base against agreed performance criteria, and the activity in relation to payments on behalf of the State. The amount of appropriation recognised is formally applied and certified by the Treasurer.

In accordance with accrual output-based management procedures, 'provision of outputs' and 'additions to net asset base' are disclosed as 'controlled' activities of the department. 'Payments made on behalf of the State' are undertaken on behalf of the State over which the department has no control or discretion and are therefore disclosed as an 'administered' activity of the department.

The following table discloses the details of the various annual parliamentary appropriations received by the department for the year.

(\$ thousand)

	Appropriations Act			Financial Management Act								
	Annual appropriation	Advance from Treasurer	Section 3(2)	Section 29	Section 30	Section 32	Section 35	Machinery of government changes	Total parliamentary authority	Appropriations applied	Variance	
2021												
Controlled												
Provision of outputs	8,418,366	1,733,865	0	297,458	86,005	35,576	0	0	10,571,270	10,399,248	172,022 <sup>(i)(iv)</sup>	
Victorian Law Reform Commission	845	0	0	0	0	0	0	0	845	845	0	
	8,419,211	1,733,865	0	297,458	86,005	35,576	0	0	10,572,115	10,400,093	172,022	
Additions to net asset base	1,253,997	85,059	0	87	(86,005)	79,418	0	0	1,332,556	764,973	567,583 <sup>(ii)(iv)</sup>	
Administered												
Payments made on behalf of State	158,351	84,900	0	0	0	0	0	0	243,251	239,400	3,851 <sup>(iii)</sup>	
Total	9,831,559	1,903,824	0	297,545	0	114,994	0	0	12,147,922	11,404,466	743,456	
2020												
Controlled												
Provision of outputs	7,511,613	343,204	0	268,017	301,189	69,893	0	16,209	8,510,125	8,329,480	180,645	
Victorian Law Reform Commission	699	0	0	0	0	0	0	0	699	670	29	
	7,512,312	343,204	0	268,017	301,189	69,893	0	16,209	8,510,824	8,330,150	180,674	
Additions to net asset base	889,262	31,465	0	193	(301,189)	217,506	0	922	838,159	230,763	607,396	
Administered												
Payments made on behalf of State	36,001	234,147	0	0	0	0	0	0	270,148	266,941	3,207	
Total	8,437,575	608,816	0	268,210	0	287,399	0	17,131	9,619,131	8,827,854	791,277	

(i) **Controlled – provision of outputs (including Victorian Law Reform Commission)**

The majority of the \$172,022 million variance (2020: \$180,674 million) relates to rephasing, carryover of output appropriations from 2020–21 into 2021–22 and future years, and lapsing funding for Treasurer's Advance in 2020–21.

The primary drivers are:

- Establishment of the Maribyrnong Residential Facility initiative – During the 2019–20 financial year, DJCS received funding to convert the former Maribyrnong Immigration Detention Centre into a temporary community residential facility, to help slow the spread of COVID-19. The Maribyrnong Community Residential Facility (MCRF) provides temporary accommodation and transitional support for men exiting the prison system in order to reduce homelessness, and the associated risk of contracting or spreading COVID-19. A rephase from 2020–21 into 2021–22 is required to align budget with the revised project timelines.
- Corrections related projects including offender rehabilitation services, prison health service program, forensic intervention services, and asset and infrastructure maintenance – Due to the impact of the COVID-19 pandemic, Corrections Victoria has experienced delays in a number of offender rehabilitation related programs. A rephase is requested to align budget with the revised timelines for these programs.
- Emergency services related initiatives including Bushfire Recovery Victoria: Bushfire recovery program, State Control Centre workforce and emergency management, Royal Commission into National Natural Disaster Arrangements, Fire Services Reform implementation – the funding rephase from 2020–21 into 2021–22 was requested to align the budget with the revised timelines of these projects.
- COVID-19 Quarantine Victoria – Victoria's hotel quarantine program transferred from the then Department of Health and Human Services to the Department of Justice and Community Safety on 27 July 2020 as part of Victoria's public health response to the COVID-19 pandemic and from 11 August 2020 for COVID-19 Emergency Accommodation and the Hotels for Heroes program. From 1 December 2020, COVID-19 Quarantine Victoria was set up to administer this program. Part of the funding supplementation in 2020–21 has lapsed mainly due to lower actual costs than forecasted as a result of the evolving travel restrictions and requirements. The lapsing funding will be required to be reinstated in 2021–22 for the continuation of the program.
- High-Risk Industries: Engagement and Enforcement Operation – Funding was provided to ensure that designated high-risk and at-risk industries are compliant with Chief Health Officer directions and public health restrictions in response to the COVID-19 pandemic. The initiative implementation did not progress as originally anticipated in 2020–21, mainly due to the expansion of the industry engagement and enforcement operations, and changes to the operating model. The 2020–21 actual costs were lower than forecasted which resulted in part of the budget supplementation lapsing in 2020–21. The lapsed funding will be required in 2021–22 to ensure the continuation of the initiative implementation.
- Community Safety Statement and Public Safety – Police Response initiatives – The funding reflects a major investment in Victoria Police to fight crime and ensure that it has the powers and resources it needs to reduce harm in the community and keep Victorians safe. A carryover is required from 2020–21 into 2021–22.

(ii) **Controlled – additions to net asset base (ATNAB)**

The majority of the \$567,583 million variance (2020: \$607,396 million) relates to rephasing and carryover of ATNAB appropriation from 2020–21 into 2021–22 and future years.

The primary drivers of the rephasing and carryover are:

- Chisholm Road prison project – This project will support a safe, secure and well-equipped prison system to meet forecast demand. The expenditure profile has been revised to enable the construction program to be accelerated in 2021–22. The rephase and carryover will ensure that the department can continue with the deliverables in 2021–22.
- Men's prison system capacity – The initiative was announced in the 2019–20 Budget to increase capacity and supporting infrastructure across the men's prison system, including additional beds and infrastructure at existing prisons. Due to a revision in project timelines across the sites, the rephase and carryover are required to align the budget to the revised timelines.



- Future Emergency Alert – The Emergency Alert project is managed by Victoria on behalf of all other states and territories. Due to delays in the establishment phase activities being impacted by the COVID-19 pandemic, a rephase and carryover of funding were required to align the budget with the revised program.
- Justice Services – Contributing to a Safer Community – The initiative was announced in the 2015-16 Budget to expand Community Correctional Services across the State to meet forecast demand in the number of offenders receiving a Community Correction Order. Due to unexpected delays impacted by the COVID-19 pandemic and access to site works, the rephase and carryover were required to align the budget with the revised timelines.
- Community Safety Statement and Public Safety – Police response initiatives – The investment in infrastructure works supports Victoria Police's capability to provide safe communities. A carryover into 2021–22 is required to align the budget to the revised timelines.

(iii) **Administered – payments made on behalf of state**

The variance mainly relates to lower than expected lottery taxes collected on behalf of other jurisdictions, which are driven by lottery sales.

(iv) **Section 30 transfers**

A transfer from capital to operating funding of \$86.005 million has occurred in 2020–21 in accordance with section 30 of the *Financial Management Act 1994* mainly to support fire-fighting related activities and Victoria Police's business operations.

## 2.3 Summary of compliance with special appropriations

A **special appropriation** is a provision within an Act that provides authority to spend money for a particular purpose. Special appropriations represent a standing authority and remain in force until the relevant legislation providing for the special appropriation is amended or repealed by Parliament.

Income is recognised when the amount appropriated for a specific purpose is due and payable by the department.

The following table discloses the details of compliance with special appropriations.

		(\$ thousand)	
		Appropriations applied	
Authority	Purpose	2021	2020
<b>Controlled</b>			
1 <i>Corrections Act 1986 (No. 117/1986), s.104ZW</i>	Compensation from the WorkCover Authority Fund under the <i>Accident Compensation Act 1985</i>	20	49
2 <i>Inquiries Act 2014 (No. 67/2014), s.11</i>	Costs incurred by the Royal Commission into the Casino Operator and Licence	11,996	0
3 <i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 (No. 21/2018), s.11</i>	Costs of administering the State's participation in the National Redress Scheme	2,369	1,689
4 <i>Emergency Management Act 1986 (No. 30/1986), s.32</i>	Payments to volunteers for work related injuries under the Act	1,203	1,164
5 <i>Victoria State Emergency Service Act 2005 (No. 51/2005), s.52</i>	Payments to volunteers for work related injuries under the Act	996	485
6 <i>Financial Management Act 1994 (No. 18/1994), s.10</i>	Payments of Commonwealth grants under section 10 of the <i>Financial Management Act 1994</i>	58	0
7 <i>Financial Management Act 1994 (No. 18/1994), s.23</i>	Payments into the correctional enterprises working account	38,017	0
8 <i>Ombudsman Act 1973 (No. 8414/1973), s.5</i>	Salary and allowances payable to the Ombudsman	0	116
<b>Total</b>		<b>54,659</b>	<b>3,503</b>
<b>Administered</b>			
9 <i>Melbourne City Link Act 1995 (No. 107/1995), s.14(4)</i>	Payments to City Link	551	812
10 <i>EastLink Project Act 2004 (No. 39/2004), s.26</i>	Payments to East Link	793	997
11 <i>Crown Proceedings Act 1958 (No. 6232/1958), s.26</i>	Payments from Crown Proceedings in the Supreme Court of Victoria	14,869	13,399
12 <i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 (No. 21/2018), s.11</i>	Payments to the Commonwealth for the funding contribution that the State is liable to pay under section 149 of the National Redress Act.	59,220	19,745
13 <i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 (No. 21/2018), s.11</i>	Payments for support services, including the provision of counselling and psychological services within the meaning of section 52(1)(b) of the National Redress Act.	1,414	1,559
<b>Total</b>		<b>76,847</b>	<b>36,512</b>

## 2.4 Interest income

	(\$ thousand)	
	2021	2020
Interest from financial assets at amortised cost:		
• Interest from deposits and investments	166	622
• Interest from real estate agent and conveyancer trust accounts	3,870	12,306
<b>Total interest income</b>	<b>4,036</b>	<b>12,928</b>

**Interest income** includes interest received on bank deposits and other investments. Interest income is recognised using the effective interest method, which allocates interest over the relevant period.

## 2.5 Grant income

	(\$ thousand)	
	2021	2020
Income recognised as income of not-for-profit entities		
• Specific purpose grants	95,520	39,373
<b>Total grant income</b>	<b>95,520</b>	<b>39,373</b>

The department receives specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use. However the grant agreements do not contain sufficiently specific performance obligations and therefore the grant income is recognised in accordance with AASB 1058 when the department has an unconditional right to receive cash.

## 2.6 Other income

	(\$ thousand)	
	2021	2020
Fines and fees	14,647	14,245
Dividends from investments	6,117	10,154
Income from Residential Tenancies Bond Authority (RTBA)	8,400	15,000
Income from Victorian Building Authority (VBA)	18,241	19,167
Other	3,981	13,507
<b>Total other income</b>	<b>51,386</b>	<b>72,073</b>

**Fines and fees** are recognised upon the receipt of cash paid into various trust funds in accordance with their associated legislation.

**Dividends from investments** are recognised when the right to receive payment is established. Dividends represent the income arising from the department's investments in financial assets.

**Income from RTBA** is recognised upon the receipt of cash paid into the Residential Tenancies Fund by the RTBA in accordance with section 437 of the *Residential Tenancies Act 1997*.

**Income from VBA** relates to the Domestic Builders Fund's share of the building permit levy, and registration and application fees collected by the VBA under the *Building Act 1993*.

## 2.7 Annotated income agreements

The department is permitted under section 29 of the *Financial Management Act 1994* to have certain income annotated to the annual appropriation. The income which forms part of a section 29 agreement is recognised by the department and the receipts paid into the consolidated fund as an administered item.

The administered income, from the sales of goods and services, is recognised under either AASB 15 *Revenue from contracts with customers* or AASB 1058 *Income of not-for-profit entities*. Where the administered income falls under AASB 15, the income is recognised on the delivery of the goods and/or services. Where the administered income falls under AASB 1058, the income is recognised when the department has an unconditional right to receive cash.

At the point of recognition of the administered income, section 29 provides for an equivalent amount to be added to the annual appropriation. The annual appropriation is recognised under AASB 1058.

The following is a list of annotated income agreements approved by the Treasurer under section 29 of the *Financial Management Act 1994*.

	(\$ thousand)	
	2021	2020
<b>User charges, or sales of goods and services</b>		
Consumer Affairs Victoria publications and conferences	68	76
Corrections Victoria prison industries	0	27,516
Crime Statistics Agency	1	8
Emergency alerting system	45,351	17,141
Emergency services management	49,664	24,119
Gaming and liquor regulation	56	581
Independent Broad-based Anti-corruption Commission services	0	567
Infringement Court fees	15,080	23,209
Legal services	57,711	53,206
Public information, education, training and mediation services	497	511
Registrar of Births, Deaths and Marriages services	6,560	6,102
Victorian Legal Admissions Board services	332	159
Victorian Institute of Forensic Medicine services	13,124	13,299
Victorian Ombudsman services	0	214
Victoria Police policing services and event management	22,162	25,478
<b>Asset sales</b>		
Victoria Police asset sales	87	193
<b>Commonwealth specific purpose payments</b>		
Legal assistance services and community legal centres <sup>(i)</sup>	82,842	69,949
National coronial information system	406	400
Preparing Australia package	0	2,000
Provision of fire services	3,604	3,482
<b>Total annotated income agreements</b>	<b>297,545</b>	<b>268,210</b>

(i) Includes family advocacy and support services

### 3. Cost of delivering services

#### 3.1 Introduction

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

##### 3.1.1 Impacts of the COVID-19 pandemic on expenses

Victoria's hotel quarantine program transferred from the Department of Health (previously known as the Department of Health and Human Services) to the Department of Justice and Community Safety on 27 July 2020 as part of Victoria's public health response to the COVID-19 pandemic. From 1 December 2020, COVID-19 Quarantine Victoria was setup to administer this program. The hotel quarantine program and other COVID-19 programs across the department have significantly impacted on the department's expenses by \$860.5 million in 2020–21. These additional costs are reflected primarily under employee benefits (note 3.2), grant expense (note 3.3) and supplies and services (note 3.5).

#### 3.2 Employee benefits

##### 3.2.1 Employee benefit expense in the comprehensive operating statement

	(\$ thousand)	
	2021	2020
Salary and wages	1,243,635	850,116
Superannuation	122,345	87,847
Annual leave and long service leave	140,599	97,467
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	124,801	93,912
Termination benefits	327	1,811
<b>Total employee benefit expense</b>	<b>1,631,707</b>	<b>1,131,153</b>

Employee benefit expense includes all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and workcover premiums.

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

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

### 3.2.2 Employee benefit provisions in the balance sheet

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

	(\$ thousand)	
	2021	2020
<b>Current provisions</b>		
<b>Annual leave</b>		
• Unconditional and expected to settle within 12 months	110,775	81,032
• Unconditional and expected to settle after 12 months	19,808	11,688
<b>Long service leave</b>		
• Unconditional and expected to settle within 12 months	16,925	13,275
• Unconditional and expected to settle after 12 months	104,237	103,502
<b>On-costs</b>		
• Unconditional and expected to settle within 12 months	33,330	23,763
• Unconditional and expected to settle after 12 months	27,497	24,156
<b>Total current provisions for employee benefits</b>	<b>312,572</b>	<b>257,416</b>
<b>Non-current provisions</b>		
Employee benefits	30,390	33,740
Employee on-costs	5,886	6,508
<b>Total non-current provisions for employee benefits</b>	<b>36,276</b>	<b>40,248</b>
<b>Total provisions for employee benefits</b>	<b>348,848</b>	<b>297,664</b>

### Reconciliation of movement in employee on-cost provision

	(\$ thousand)	
	2021	2020
<b>Opening balance</b>	54,427	49,170
Additional provisions recognised	44,752	27,868
Additions due to transfer in	109	244
Reductions arising from payments/other sacrifices of future economic benefits	(32,575)	(22,855)
<b>Closing balance</b>	<b>66,713</b>	<b>54,427</b>
Current	60,827	47,919
Non-current	5,886	6,508

**Liabilities for annual leave** are recognised in the provision for employee benefits as current liabilities. Those liabilities that are expected to be settled within 12 months of the reporting period are measured at nominal values. Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

**Liabilities for long service leave** are recognised in the provision for employee benefits.

Unconditional long service leave is disclosed as a current liability, even where the department does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current long service leave liability are measured at:

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

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

Any gain or loss following revaluation of the present value of non-current long service leave liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in interest rates for which it is then recognised as an 'other economic flow' (refer to note 9.3) in the net result.

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

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

Liabilities for wages and salaries are in payables (note 6.3).

### 3.2.3 Superannuation contributions

Employees of the department are entitled to receive superannuation benefits and the department contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised by the Department of Treasury and Finance as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits expense in the comprehensive operating statement of the department.

The basis for contributions is determined by the various schemes.

	(\$ thousand)			
	Paid contribution for year		Contribution outstanding at year end	
	2021	2020	2021	2020
<b>Defined benefit plans</b>				
• Emergency Services and State Super	3,837	4,152	45	108
<b>Defined contribution plans</b>				
• VicSuper	65,689	52,262	1,311	3,999
• Various other	50,573	25,040	890	2,286
<b>Total</b>	<b>120,099</b>	<b>81,454</b>	<b>2,246</b>	<b>6,393</b>

## 3.3 Grant expense

	(\$ thousand)	
	2021	2020
<b>Payments to:</b>		
• Victoria Police	4,088,960	3,718,489
• Fire Rescue Victoria <sup>(i)</sup>	854,894	0
• Worksafe Victoria <sup>(ii)</sup>	550,000	0
• Country Fire Authority <sup>(i)</sup>	343,516	790,787
• Metropolitan Fire and Emergency Services Board <sup>(i)</sup>	0	461,793
• Victoria Legal Aid	249,012	215,489
• Emergency Services Telecommunications Authority	112,879	102,016
• Office of Public Prosecutions	81,968	83,771
• Victoria State Emergency Service Authority	64,647	61,424
• Victorian Institute of Forensic Medicine	46,231	45,939
• Victorian Commission for Gambling and Liquor Regulation	40,009	38,492
• Court Services Victoria	20,589	22,033
• Victorian Equal Opportunity and Human Rights Commission	8,851	8,499
• Independent Broad-based Anti-corruption Commission	0	8,185
• Victorian Responsible Gambling Foundation	4,585	4,764
• Victorian Ombudsman	0	4,641
• Sentencing Advisory Council	1,956	1,925
• Victorian Inspectorate	0	1,024
• Other parties	221,559	123,912
<b>Total grant expenses</b>	<b>6,689,656</b>	<b>5,693,183</b>

(i) Fire Rescue Victoria replaced Metropolitan Fire and Emergency Services Board and took over part of the functions of Country Fire Authority on 1 July 2020.

(ii) A grant payment was made to Worksafe Victoria to support the WorkCover Scheme Premium Order in 2020–21.

**Grant expenses** are contributions of the department's resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services). Grant expenses are recognised in the reporting period in which they are paid or payable.

### 3.4 Capital asset charge

	(\$ thousand)	
	2021	2020
Capital asset charge	299,581	213,899

A **capital asset charge** is a charge levied on the written down value of controlled non-current physical assets in a department's balance sheet. It aims to attribute to the department outputs, a cost of capital used in service delivery. Imposing this charge provides incentives for the department to identify and dispose of underutilised or surplus non-current physical assets. The capital asset charge will no longer apply in future years due to a change in government policy.

### 3.5 Supplies and services

	(\$ thousand)	
	2021	2020
Outsourced contracts	967,473	713,218
Contractors, professional services and consultants	142,692	104,840
Accommodation and property services	126,310	88,613
Maintenance	30,782	30,818
Technology services	93,598	112,561
Printing, stationery and other office expenses	37,015	33,860
Other <sup>(i)</sup>	265,320	114,926
<b>Total supplies and services<sup>(i)</sup></b>	<b>1,663,190</b>	<b>1,198,836</b>

(i) The 2019–20 comparative has been adjusted to reclassify an expense from supplies and services to interest expense.

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

**Outsourced contracts** relate to expenses paid for outsourced functions of the department, such as for the management of prisoners, offenders and prison related assets under the public private partnership arrangements, infringement processing and traffic camera services, and hotel quarantine services.

**Contractors, professional services and consultants** relate to the expenses paid for operational services, specialist professional services, expert analysis and strategic advice.

**Accommodation and property services** relate to the expenses paid for short-term accommodation leases, utilities, cleaning services, fire protection services, security services, storage costs and other services.

**Maintenance** relate to the expenses paid for repairs and maintenance services.

**Technology services** relate to the expenses paid for information and technology services and includes leases of low value assets.

**Printing, stationery and other office expenses** relate to expenses paid for stationery, consumables, supplies, external printing, books, acts, regulations, statutory rulings, legal subscriptions, transcripts, newspapers, magazines, journals, media monitoring services, advertising, low value office equipment and other office expenses.

## 4. Disaggregated financial information by output

### 4.1 Introduction

This section provides a description of the departmental outputs delivered during the year ended 30 June 2021 along with the objectives of those outputs.

This note disaggregates income that enables the delivery of services (described in note 2) by output and records the allocation of expenses incurred (described in note 3) also by output, which form part of controlled balances of the department.

It also provides information on items administered in connection with these outputs.

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



## 4.2 Department outputs – descriptions and objectives

### Ensuring community safety

**Description of output:** This output group relates to the provision of a safe and secure environment for the Victorian community. It relates to the provision of effective policing, law enforcement and infringement processing services that aim to prevent, detect, investigate and prosecute crime, and promote safer road user behaviour. It focuses on activities which enable Victorians to undertake their lawful pursuits confidently, safely and without fear of crime.

**Objectives:** This output group contributes to the department's objective of 'ensuring community safety through policing, law enforcement and prevention activities'.

### Reducing the impact of emergencies

**Description of output:** This output group relates to the delivery of a coordinated, all communities, all emergencies approach to emergency management, focusing on risk mitigation and active partnership with the Victorian community. It encompasses prevention, preparation and planning for, responding to and recovering from natural disasters (such as bushfires, floods and severe storms), the consequences of terrorism, hazardous material incidents (such as chemical spills and gas leaks), and individual and personal emergencies (such as land and sea rescues, car accidents and residential and commercial fires).

**Objectives:** This output group contributes to the department's objective to 'reduce the impact of, and consequences from, natural disasters and other emergencies on people, infrastructure, the economy and the environment'.

### Management of prisoners and offenders

**Description of output:** This output group relates to the management of the State's adult correctional system. It promotes community safety through community-based and custodial supervision of prisoners and offenders through effective management and services to provide opportunities for rehabilitation and reparation.

**Objectives:** This output group contributes to the department's objective of 'effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation'.

### Supervision of children and young people

**Description of output:** This output group promotes opportunities for rehabilitation of children and young people in the youth justice system and contributes to the reduction of crime in the community by providing a range of services including diversion services, advice to courts, offence related programs, community-based and custodial supervision.

**Objectives:** This output group contributes to the department's objective of 'effective supervision of children and young people through the provision of youth justice services promoting rehabilitation'.

### A fair and accessible justice system

**Description of output:** This output group relates to the provision of and access to justice services that support legal processes and law reform. Services that support legal processes include legal assistance and education services, prosecution services and the delivery of independent, expert forensic medical services to the justice system. Other services include legal policy advice to government, law reform, dispute resolution and initiatives focusing on crime prevention and supporting Aboriginal people in the criminal justice system.

**Objectives:** This output group contributes to the department's objective of 'a fair and accessible justice system that supports a confidence in the Victorian community'.

### Protecting Victorians

**Description of output:** This output group supports the Victorian community through the provision of services relating to rights and equal opportunity, advocacy and guardianship for Victorians with a disability or mental illness and support for victims of crime. It supports identity protection of Victorians through and life event registration, protection of children through adoption services and risk assessments for those working with or caring for children. It also contributes to public sector integrity, information freedoms and privacy protection of Victorians.

**Objectives:** This output group contributes to the department's objective that 'Victorians are protected with equal opportunities, secure identities, information freedoms and privacy rights'.

### Fair marketplace with responsible liquor and gambling

**Description of output:** This output group relates to harm minimisation through the regulation of the gambling and liquor industries. It promotes the empowerment of consumers and businesses to know their rights and responsibilities to promote a well-functioning market economy through regulation and support to consumers and businesses. There is a specific focus on the needs of vulnerable and disadvantaged consumers.

**Objectives:** This output group contributes to the department's objective of 'a fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling sectors'.

## Departmental outputs – controlled

(\$ thousand)

	Ensuring community safety <sup>(i)</sup>		Reducing the impact of emergencies <sup>(i)</sup>		Management of prisoners and offenders <sup>(i)</sup>		Supervision of children and young people <sup>(i)</sup>		A fair and accessible justice system <sup>(i)</sup>		Protecting Victorians <sup>(i)</sup>		Fair marketplace with responsible liquor and gambling <sup>(i)</sup>		Departmental total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Controlled income and expenses for year ended 30 June 2021</b>																
Income from transactions																
Output appropriations	4,373,975	3,974,490	2,358,588	1,546,580	1,981,796	1,828,182	298,764	239,492	579,274	510,664	707,357	145,886	99,494	84,186	10,399,248	8,329,480
Special appropriations	0	0	2,257	1,649	38,037	49	0	0	0	1,689	2,369	116	11,996	0	54,659	3,503
Interest income	0	0	0	0	12	86	0	0	0	0	0	0	4,024	12,842	4,036	12,928
Grant income	16,131	12,839	56,256	342	6,643	16,064	593	587	4,050	1,945	8,363	4,743	3,484	2,853	95,520	39,373
Other income	(430)	18	1,255	11,235	1,090	60	647	410	869	1,398	22	225	47,933	58,727	51,386	72,073
<b>Total income from transactions</b>	<b>4,389,676</b>	<b>3,987,347</b>	<b>2,418,356</b>	<b>1,559,806</b>	<b>2,027,578</b>	<b>1,844,441</b>	<b>300,004</b>	<b>240,489</b>	<b>584,193</b>	<b>515,696</b>	<b>718,111</b>	<b>150,970</b>	<b>166,931</b>	<b>158,608</b>	<b>10,604,849</b>	<b>8,457,357</b>
<b>Expenses from transactions</b>																
Employee benefit expense	(80,199)	(74,645)	(442,549)	(50,567)	(727,739)	(683,041)	(148,509)	(127,507)	(86,068)	(75,087)	(89,746)	(66,246)	(56,897)	(54,060)	(1,631,707)	(1,131,153)
Depreciation and amortisation	(13,704)	(11,288)	(9,634)	(13,428)	(157,427)	(130,878)	(12,999)	(6,294)	(1,276)	(3,277)	(4,892)	(4,421)	(481)	(1,182)	(200,413)	(170,768)
Interest expense <sup>(ii)</sup>	(13)	(247)	656	(832)	(57,828)	(53,766)	(61)	(331)	(13)	(423)	(34)	(157)	(16)	(171)	(57,309)	(55,927)
Grant expense	(4,129,053)	(3,743,976)	(1,444,713)	(1,438,162)	(33,934)	(15,915)	(2,195)	(5,832)	(423,453)	(373,329)	(573,672)	(37,857)	(82,636)	(78,112)	(6,689,656)	(5,693,183)
Capital asset charge	(1,213)	0	(4,273)	(2,544)	(229,814)	(180,853)	(56,676)	(20,929)	(7,374)	(9,449)	(124)	(124)	(107)	0	(299,581)	(213,899)
Supplies and services <sup>(ii)</sup>	(164,315)	(146,509)	(448,945)	(72,788)	(787,419)	(758,221)	(93,941)	(78,841)	(71,349)	(63,724)	(45,885)	(43,335)	(51,336)	(35,418)	(1,663,190)	(1,198,836)
<b>Total expenses from transactions</b>	<b>(4,388,497)</b>	<b>(3,976,665)</b>	<b>(2,349,458)</b>	<b>(1,578,321)</b>	<b>(1,994,161)</b>	<b>(1,822,674)</b>	<b>(314,381)</b>	<b>(239,734)</b>	<b>(589,533)</b>	<b>(525,289)</b>	<b>(714,353)</b>	<b>(152,140)</b>	<b>(191,473)</b>	<b>(168,943)</b>	<b>(10,541,856)</b>	<b>(8,463,766)</b>
<b>Net result from transactions (net operating balance)</b>	<b>1,179</b>	<b>10,682</b>	<b>68,898</b>	<b>(18,515)</b>	<b>33,417</b>	<b>21,767</b>	<b>(14,377)</b>	<b>755</b>	<b>(5,340)</b>	<b>(9,593)</b>	<b>3,758</b>	<b>(1,170)</b>	<b>(24,542)</b>	<b>(10,335)</b>	<b>62,993</b>	<b>(6,409)</b>
<b>Other economic flows included in net result</b>																
Net gain/(loss) on non-financial assets	149	145	527	381	1,337	1,209	207	159	312	246	124	76	97	93	2,753	2,309
Net gain/(loss) on financial instruments	317	(384)	(4,352)	(422)	11	(373)	(880)	(171)	13	(87)	9	(3)	8,616	(7,617)	3,734	(9,057)
Other gains/(losses) from other economic flows	410	(361)	1,424	(933)	3,625	(2,961)	559	(390)	849	(608)	321	(106)	315	(264)	7,503	(5,623)
<b>Total other economic flows included in net result</b>	<b>876</b>	<b>(600)</b>	<b>(2,401)</b>	<b>(974)</b>	<b>4,973</b>	<b>(2,125)</b>	<b>(114)</b>	<b>(402)</b>	<b>1,174</b>	<b>(449)</b>	<b>454</b>	<b>(33)</b>	<b>9,028</b>	<b>(7,788)</b>	<b>13,990</b>	<b>(12,371)</b>
<b>Net result</b>	<b>2,055</b>	<b>10,082</b>	<b>66,497</b>	<b>(19,489)</b>	<b>38,390</b>	<b>19,642</b>	<b>(14,491)</b>	<b>353</b>	<b>(4,166)</b>	<b>(10,042)</b>	<b>4,212</b>	<b>(1,203)</b>	<b>(15,514)</b>	<b>(18,123)</b>	<b>76,983</b>	<b>(18,780)</b>
<b>Other economic flows – other comprehensive income</b>																
<b>Items that will not be reclassified to net result</b>																
Changes in physical asset revaluation surplus	(11)	16	11,066	567	(21,233)	271,018	(32,151)	28,226	3	(980)	(276)	1,431	(6)	2	(42,608)	300,280
<b>Total other economic flows – other comprehensive income</b>	<b>(11)</b>	<b>16</b>	<b>11,066</b>	<b>567</b>	<b>(21,233)</b>	<b>271,018</b>	<b>(32,151)</b>	<b>28,226</b>	<b>3</b>	<b>(980)</b>	<b>(276)</b>	<b>1,431</b>	<b>(6)</b>	<b>2</b>	<b>(42,608)</b>	<b>300,280</b>
<b>Comprehensive result</b>	<b>2,044</b>	<b>10,098</b>	<b>77,563</b>	<b>(18,922)</b>	<b>17,157</b>	<b>290,660</b>	<b>(46,642)</b>	<b>28,579</b>	<b>(4,163)</b>	<b>(11,022)</b>	<b>3,936</b>	<b>228</b>	<b>(15,520)</b>	<b>(18,121)</b>	<b>34,375</b>	<b>281,500</b>
<b>Controlled assets and liabilities at 30 June 2021</b>																
<b>Assets</b>																
Financial assets	768,237	665,455	482,740	295,871	359,100	330,826	30,352	19,602	123,798	102,017	50,706	65,267	286,432	294,473	2,101,365	1,773,511
Non-financial assets	68,779	69,028	104,692	83,767	3,822,083	3,393,506	558,947	467,556	10,109	11,166	26,275	29,850	2,987	3,410	4,593,872	4,058,283
<b>Total assets</b>	<b>837,016</b>	<b>734,483</b>	<b>587,432</b>	<b>379,638</b>	<b>4,181,183</b>	<b>3,724,332</b>	<b>589,299</b>	<b>487,158</b>	<b>133,907</b>	<b>113,183</b>	<b>76,981</b>	<b>95,117</b>	<b>289,419</b>	<b>297,883</b>	<b>6,695,237</b>	<b>5,831,794</b>
<b>Liabilities</b>	<b>751,916</b>	<b>646,962</b>	<b>285,092</b>	<b>142,932</b>	<b>1,436,714</b>	<b>1,121,889</b>	<b>73,544</b>	<b>51,534</b>	<b>79,507</b>	<b>92,671</b>	<b>39,941</b>	<b>63,719</b>	<b>45,154</b>	<b>41,940</b>	<b>2,711,868</b>	<b>2,161,647</b>
<b>Total liabilities</b>	<b>751,916</b>	<b>646,962</b>	<b>285,092</b>	<b>142,932</b>	<b>1,436,714</b>	<b>1,121,889</b>	<b>73,544</b>	<b>51,534</b>	<b>79,507</b>	<b>92,671</b>	<b>39,941</b>	<b>63,719</b>	<b>45,154</b>	<b>41,940</b>	<b>2,711,868</b>	<b>2,161,647</b>
<b>Net assets</b>	<b>85,100</b>	<b>87,521</b>	<b>302,340</b>	<b>236,706</b>	<b>2,744,469</b>	<b>2,602,443</b>	<b>515,755</b>	<b>435,624</b>	<b>54,400</b>	<b>20,512</b>	<b>37,040</b>	<b>31,398</b>	<b>244,265</b>	<b>255,943</b>	<b>3,983,369</b>	<b>3,670,147</b>

(i) The output groups have been updated to reflect the updated output cost objectives and structure as per the 2020–21 Budget.

(ii) The 2019–20 comparative has been adjusted to reclassify an expense from supplies and services to interest expense.

### 4.3 Administered items

In addition to the specific departmental operations which are controlled and included in the financial statements (comprehensive operating statement, balance sheet, cash flow statement and statement of changes in equity), the department administers or manages, but does not control, certain resources and activities on behalf of the State. The department is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for its own benefit or for the achievement of its objectives. Accordingly, transactions and balances relating to these administered resources are not recognised as departmental income, expenses, assets or liabilities within the body of the financial statements, but are disclosed separately in this note.

Except as otherwise disclosed, administered transactions are accounted for on an accrual basis using the same accounting policies adopted for recognition of the departmental items in the financial statements.

#### Administered (non-controlled) items

For the financial year ended 30 June 2021

(\$ thousand)																
	Ensuring community safety <sup>(i)</sup>		Reducing the impact of emergencies <sup>(i)</sup>		Management of prisoners and offenders <sup>(i)</sup>		Supervision of children and young people <sup>(i)</sup>		A fair and accessible justice system <sup>(i)</sup>		Protecting Victorians <sup>(i)</sup>		Fair marketplace with responsible liquor and gambling <sup>(i)</sup>		Departmental total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Administered income from transactions</b>																
Appropriations for payments made on behalf of the State	0	0	198,250	228,147	0	0	0	0	0	0	0	0	41,150	38,794	239,400	266,941
Special appropriations	1,344	1,809	0	0	0	0	0	0	0	21,304	75,503	13,399	0	0	76,847	36,512
Sale of goods and services	15,081	23,209	130,529	41,262	38,017	27,525	0	1	58,046	53,616	6,560	6,102	68	76	248,301	151,791
Fines	576,936	606,926	0	0	183	256	0	0	0	0	0	0	0	3	577,119	607,185
Fees	122,377	187,055	0	0	0	0	0	0	0	0	34,220	31,600	2,279	2,099	158,876	220,754
Other income	33,176	29,000	512	703	1,303	2,374	372	294	304	473	21,958	143	94	171	57,719	33,158
<b>Total administered income from transactions</b>	<b>748,914</b>	<b>847,999</b>	<b>329,291</b>	<b>270,112</b>	<b>39,503</b>	<b>30,155</b>	<b>372</b>	<b>295</b>	<b>58,350</b>	<b>75,393</b>	<b>138,241</b>	<b>51,244</b>	<b>43,591</b>	<b>41,143</b>	<b>1,358,262</b>	<b>1,316,341</b>
<b>Administered expenses from transactions</b>																
Payments into the consolidated fund	(390,730)	(438,410)	(129,189)	(50,606)	(48,299)	(54,974)	25	34	(79,704)	(69,145)	(38,076)	(15,690)	(68)	(76)	(686,041)	(628,867)
Grants and other transfers	0	1,251	(139,828)	(217,977)	0	0	0	0	0	(21,304)	(60,634)	0	(41,150)	(38,794)	(241,612)	(276,824)
Other expenses	(16,321)	(22,640)	(2,717)	(2,442)	(472)	(1,154)	(16)	(148)	(55)	(245)	(14,891)	(13,470)	(17)	(86)	(34,489)	(40,185)
<b>Total administered expenses from transactions</b>	<b>(407,051)</b>	<b>(459,799)</b>	<b>(271,734)</b>	<b>(271,025)</b>	<b>(48,771)</b>	<b>(56,128)</b>	<b>9</b>	<b>(114)</b>	<b>(79,759)</b>	<b>(90,694)</b>	<b>(113,601)</b>	<b>(29,160)</b>	<b>(41,235)</b>	<b>(38,956)</b>	<b>(962,142)</b>	<b>(945,876)</b>
<b>Total administered net result from transactions (net operating balance)</b>	<b>341,863</b>	<b>388,200</b>	<b>57,557</b>	<b>(913)</b>	<b>(9,268)</b>	<b>(25,973)</b>	<b>381</b>	<b>181</b>	<b>(21,409)</b>	<b>(15,301)</b>	<b>24,640</b>	<b>22,084</b>	<b>2,356</b>	<b>2,187</b>	<b>396,120</b>	<b>370,465</b>
<b>Administered other economic flows included in administered net result</b>																
Net gain/(loss) on non-financial assets	(14)	(97)	(280)	(41)	(222)	(62)	(15)	(34)	0	0	0	0	0	0	(531)	(234)
Net gain/(loss) on financial instruments and statutory receivables	(134,226)	(387,209)	(10,954)	1,109	0	0	(10)	0	(93)	(36)	(909)	23	0	0	(146,192)	(386,113)
<b>Total administered other economic flows</b>	<b>(134,240)</b>	<b>(387,306)</b>	<b>(11,234)</b>	<b>1,068</b>	<b>(222)</b>	<b>(62)</b>	<b>(25)</b>	<b>(34)</b>	<b>(93)</b>	<b>(36)</b>	<b>(909)</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>(146,723)</b>	<b>(386,347)</b>
<b>Total administered comprehensive result</b>	<b>207,623</b>	<b>894</b>	<b>46,323</b>	<b>155</b>	<b>(9,490)</b>	<b>(26,035)</b>	<b>356</b>	<b>147</b>	<b>(21,502)</b>	<b>(15,337)</b>	<b>23,731</b>	<b>22,107</b>	<b>2,356</b>	<b>2,187</b>	<b>249,397</b>	<b>(15,882)</b>
<b>As at 30 June 2021</b>																
<b>Administered assets</b>																
Cash and deposits	(4,518)	6,521	188,553	202,817	12,240	12,897	590	532	18,080	41,548	13,329	197	508	355	228,782	264,867
Receivables <sup>(ii)</sup>	263,277	89,121	31,886	1,261	0	3	187	0	16,474	29,120	18,522	1,576	3,015	3,335	333,361	124,416
Equity investments in other justice portfolio entities	0	0	805,885	755,815	0	0	0	0	43,577	43,395	29	29	0	0	849,491	799,239
Other assets	0	0	7	0	0	0	0	0	0	0	0	0	0	0	7	0
<b>Total administered assets</b>	<b>258,759</b>	<b>95,642</b>	<b>1,026,331</b>	<b>959,893</b>	<b>12,240</b>	<b>12,900</b>	<b>777</b>	<b>532</b>	<b>78,131</b>	<b>114,063</b>	<b>31,880</b>	<b>1,802</b>	<b>3,523</b>	<b>3,690</b>	<b>1,411,641</b>	<b>1,188,522</b>
<b>Administered liabilities</b>																
Payables <sup>(ii)</sup>	337	6,402	3,626	68,743	9,914	10,647	507	498	17,948	48,003	14,174	13,926	3,477	3,664	49,983	151,883
Provisions	0	0	121,236	125,835	0	0	0	0	0	0	29,969	0	0	0	151,205	125,835
<b>Total administered liabilities</b>	<b>337</b>	<b>6,402</b>	<b>124,862</b>	<b>194,578</b>	<b>9,914</b>	<b>10,647</b>	<b>507</b>	<b>498</b>	<b>17,948</b>	<b>48,003</b>	<b>44,143</b>	<b>13,926</b>	<b>3,477</b>	<b>3,664</b>	<b>201,188</b>	<b>277,718</b>
<b>Total administered net assets</b>	<b>258,422</b>	<b>89,240</b>	<b>901,469</b>	<b>765,315</b>	<b>2,326</b>	<b>2,253</b>	<b>270</b>	<b>34</b>	<b>60,183</b>	<b>66,060</b>	<b>(12,263)</b>	<b>(12,124)</b>	<b>46</b>	<b>26</b>	<b>1,210,453</b>	<b>910,804</b>

(i) The output groups have been updated to reflect the updated output cost objectives and structure as per the 2020–21 Budget.

(ii) The 2019–20 comparative has been slightly adjusted to more accurately reflect the receivables and payables.

**Administered income from transactions** includes appropriations for payments made on behalf of the State, special appropriations, sale of goods and services, fines and fees. Appropriations for payments made on behalf of the State, special appropriations, and sale of goods and services are recognised on the same basis as described in note 2. Fines income mainly relates to traffic camera fines and on-the-spot fines issued by Victoria Police, which are recognised upon the issuance of infringement notices. Fees income mainly relates to the fees charged in association with the collection of infringement notice fines, which are recognised upon the issuance of penalty reminder notices, notices of final demand and enforcement warrants.

**Administered expenses from transactions** include payments into the consolidated fund, and grants and other transfers.

**Administered other economic flows included in administered net result** includes the net gain/(loss) on financial instruments and statutory receivables which mainly relates to movements in the provision for expected credit losses for receivables.

**Administered assets** include cash and deposits, receivables and equity investments in other justice portfolio entities. Receivables mainly relate to unpaid fines and fees, net of a provision for expected credit losses for those receivables. The provision for expected credited losses for unpaid fines was estimated by grouping the unpaid fines based on their fine category and days past due and applying an expected credit loss rate based on the department's past cash collection experience. The estimate was further adjusted for current market conditions and forward looking macroeconomic information such as the future unemployment rate and the impacts of the COVID-19 pandemic on the collectability of the unpaid fines and fees. The expected credit loss rates for unpaid fines were modified in 2020–21, as a change in the accounting estimate under AASB108 *Accounting policies, changes in accounting estimates and errors*, to reflect the change in the cash collection profile since the implementation of the Fines Reform Act in January 2018. This increased the net receivables for unpaid fines by approximately \$166.1 million, bringing the net receivables for unpaid fines to \$268.3 million as at 30 June 2021. The net receivable balance may be further impacted in the future as a result of the uncertainty around the severity of the impact of COVID-19 on the future cash collections. Unpaid fines over five years old are written off for accounting purposes in line with the department's policy, but are still legally enforceable and will be continued to be pursued for payment. Equity investments in other justice portfolio entities represent the State's capital investment in those entities that are controlled by the State.

**Administered liabilities** include government expenses incurred but yet to be paid, including provisions raised for the Natural Disaster Relief Trust and National Redress Scheme for Institutional Child Sexual Abuse.

## 4.4 Restructuring of administrative arrangements

### Transfer of net assets from the Department of Premier and Cabinet

The responsibility for the administrative arrangements of Bushfire Recovery Victoria transferred from the Department of Premier and Cabinet to the Department of Justice and Community Safety as a result of a machinery of government change on 1 July 2020.

The income and expenses for these activities for the reporting period were as follows.

	(\$ thousand)
	2021
<b>Controlled income and expenses</b>	
Income	129,200
Expenses	(125,777)

The following net assets were assumed by the Department of Justice and Community Safety for these activities as a result of the administrative restructure and were recognised at the carrying amount of those net assets at the date of transfer.

	(\$ thousand)
	2021
<b>Controlled Assets</b>	
Cash	3,381
Receivables	60,927
Prepayments	1,600
Property, plant and equipment	97
<b>Liabilities</b>	
Payables	64,143
Borrowings	97
Employee benefit provisions	967
<b>Controlled net assets recognised</b>	<b>798</b>
<b>Net capital contribution from the Crown</b>	<b>798</b>

## 5. Key assets available to support output delivery

### 5.1 Introduction

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

### 5.2 Property, plant and equipment

	(\$ thousand)					
	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021	2020	2021	2020	2021	2020
Land at fair value	364,180	330,883	0	0	364,180	330,883
Buildings at fair value	2,869,094	2,778,534	(1,218)	(1,071)	2,867,876	2,777,463
Plant, equipment and vehicles at fair value	601,811	564,444	(356,611)	(301,438)	245,200	263,006
Assets under construction at cost	1,009,574	600,715	0	0	1,009,574	600,715
<b>Total</b>	<b>4,844,659</b>	<b>4,274,576</b>	<b>(357,829)</b>	<b>(302,509)</b>	<b>4,486,830</b>	<b>3,972,067</b>

The following tables are subsets of land, buildings, plant, equipment and vehicles, and assets under construction by right-of-use assets and service concession assets.

#### 5.2.1 Total right-of-use assets: buildings, plant, equipment and vehicles

	(\$ thousand)					
	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021	2020	2021	2020	2021	2020
Buildings at fair value	508,344	455,662	(1,218)	(1,071)	507,126	454,591
Plant, equipment and vehicles at fair value	29,768	34,245	(13,609)	(14,442)	16,159	19,803
<b>Total</b>	<b>538,112</b>	<b>489,907</b>	<b>(14,827)</b>	<b>(15,513)</b>	<b>523,285</b>	<b>474,394</b>

	(\$ thousand)			
	Buildings at fair value		Plant, equipment and vehicles at fair value	
	2021	2020	2021	2020
<b>Opening balance</b>	<b>454,591</b>	<b>789,693</b>	<b>19,803</b>	<b>18,936</b>
Additions	54	2,767	10,273	11,016
Disposals	(216)	0	(1,970)	(3,201)
Transfers out of assets under construction	4,197	56,052	0	0
Reclassification between classes	205	0	0	0
Revaluation	64,455	47,126	0	0
Machinery of government transfer in	0	0	97	91
Fair value of assets received free of charge or for nominal consideration	0	0	231	318
Fair value of assets provided free of charge or for nominal consideration	0	0	(7,793)	0
Depreciation	(16,160)	(31,251)	(4,266)	(6,816)
Transfers to disposal group held for sale	0	0	(216)	(541)
Net transfers through contributed capital <sup>(i)</sup>	0	(409,796)	0	0
<b>Closing balance</b>	<b>507,126</b>	<b>454,591</b>	<b>16,159</b>	<b>19,803</b>

(i) On 1 November 2019, the department transferred the right-of-use assets and lease liabilities for the accommodation leases under the centralised accommodation management strategy to the Department of Treasury and Finance Shared Service Provider using contributed capital in accordance with the requirements of FRD 119A *Transfers through contributed capital*.

#### 5.2.2 Total service concession assets: land, buildings, plant, equipment, vehicles and assets under construction

	(\$ thousand)					
	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021	2020	2021	2020	2021	2020
Land at fair value	24,410	19,921	0	0	24,410	19,921
Buildings at fair value	1,005,792	1,050,474	0	0	1,005,792	1,050,474
Plant, equipment and vehicles at fair value	83,923	79,403	(19,749)	(13,383)	64,174	66,020
Assets under construction at cost	8,057	105,668	0	0	8,057	105,668
<b>Total</b>	<b>1,122,182</b>	<b>1,255,466</b>	<b>(19,749)</b>	<b>(13,383)</b>	<b>1,102,433</b>	<b>1,242,083</b>

**Initial recognition:** Items of property, plant and equipment are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The costs of property, plant and equipment under construction includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The initial cost of property, plant and equipment under a lease that is recognised as a right-of-use asset is measured at amounts equal to the present value of the unpaid lease payments at the commencement date, adjusted for any lease payments made at or before the commencement date less any lease incentive received.

The initial cost of property, plant and equipment under a service concession arrangement is measured at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair value measurement*.

**Subsequent measurement:** Property, plant and equipment (including right-of-use assets and service concession assets) are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to note 8.4 for additional information on fair value determination of property, plant and equipment.

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

### 5.2.3 Depreciation and amortisation

	(\$ thousand)	
	2021	2020
Buildings	125,495	105,745
Plant, equipment and vehicles	66,398	58,986
Software	8,520	6,037
<b>Total</b>	<b>200,413</b>	<b>170,768</b>

All property, plant and equipment and intangible assets that have finite useful lives are depreciated / amortised. Exceptions to this rule include assets held for sale and land.

Depreciation / amortisation is calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below.

	(Years)
	Nominal useful life
Buildings (owned, leased and service concession)	20 to 60
Plant, equipment and vehicles (owned, leased and service concession)	1 to 20
Software	1 to 7

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

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

Leasehold improvements, which are included under plant, equipment and vehicles, are depreciated over the shorter of the lease term and their useful lives.

Land and other assets with an indefinite useful life are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.



## 5.2.4 Carrying values by 'purpose' groups

Property, plant and equipment are classified in this note primarily by the 'purpose' for which the assets are used based on the classifications of the functions of government. All assets in a purpose group are further sub-categorised according to the asset's 'nature' (e.g. land and buildings), with each sub-category being classified as a separate class of asset for financial reporting purposes.

(\$ thousand)										
	Public order and safety <sup>(i)</sup>		Economic affairs		Recreation culture and religion		Social protection <sup>(i)</sup>		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Nature based classification</b>										
Land at fair value	364,089	330,779	70	79	21	25	0	0	364,180	330,883
Buildings at fair value	2,867,873	2,777,450	2	9	1	4	0	0	2,867,876	2,777,463
Plant, equipment and vehicles at fair value	243,440	261,009	1,395	1,522	365	475	0	0	245,200	263,006
Assets under construction at cost	1,009,135	599,679	339	783	100	253	0	0	1,009,574	600,715
<b>Total</b>	<b>4,484,537</b>	<b>3,968,917</b>	<b>1,806</b>	<b>2,393</b>	<b>487</b>	<b>757</b>	<b>0</b>	<b>0</b>	<b>4,486,830</b>	<b>3,972,067</b>

(i) The 2019–20 comparative has changed due to the reclassification of outputs between purpose groups.

## 5.2.5 Reconciliation of movements in carrying amount of property, plant and equipment

(\$ thousand)										
	Land at fair value		Buildings at fair value		Plant, equipment and vehicles at fair value		Assets under construction at cost		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>330,883</b>	<b>287,093</b>	<b>2,777,463</b>	<b>2,878,328</b>	<b>263,006</b>	<b>254,166</b>	<b>600,715</b>	<b>562,297</b>	<b>3,972,067</b>	<b>3,981,884</b>
Additions	0	1	10,136	5,966	16,136	30,649	732,293	225,530	758,565	262,146
Disposals	0	0	(216)	0	(1,970)	(3,201)	0	0	(2,186)	(3,201)
Transfers out of assets under construction	5,600	0	275,848	153,015	41,986	34,097	(323,434)	(187,112)	0	0
Reclassification between classes	0	0	477	(664)	(477)	664	0	0	0	0
Revaluation <sup>(i)</sup>	27,697	43,789	(70,309)	256,491	4	0	0	0	(42,608)	300,280
Machinery of government transfer in	0	0	0	0	97	1,617	0	0	97	1,617
Fair value of assets received free of charge or for nominal consideration	0	0	0	0	1,457	4,644	0	0	1,457	4,644
Fair value of assets provided free of charge or for nominal consideration	0	0	0	0	(7,793)	0	0	0	(7,793)	0
Depreciation	0	0	(125,495)	(105,745)	(66,398)	(58,986)	0	0	(191,893)	(164,731)
Transfers to disposal group held for sale	0	0	0	0	(216)	(541)	0	0	(216)	(541)
Net transfers through contributed capital <sup>(ii)</sup>	0	0	(28)	(409,928)	(632)	(103)	0	0	(660)	(410,031)
<b>Closing balance</b>	<b>364,180</b>	<b>330,883</b>	<b>2,867,876</b>	<b>2,777,463</b>	<b>245,200</b>	<b>263,006</b>	<b>1,009,574</b>	<b>600,715</b>	<b>4,486,830</b>	<b>3,972,067</b>

(i) A full revaluation of land and buildings was performed by the Valuer-General Victoria as at 30 June 2021 (see note 8.4.2 for further details). In the previous financial year, a managerial revaluation of land and buildings was performed based on the Valuer-General's annual indices as at 30 June 2020.

(ii) On 1 November 2019, the department transferred the right-of-use assets and lease liabilities for the accommodation leases under the centralised accommodation management strategy to the Department of Treasury and Finance Shared Service Provider using contributed capital in accordance with the requirements of FRD 119A *Transfers through contributed capital*.

## 5.3 Intangible assets

	(\$ thousand)	
	2021	2020
<b>Gross carrying amount</b>		
<b>Opening balance</b>	151,605	139,535
Additions <sup>(i)</sup>	18,990	13,011
Disposals	0	(986)
Machinery of government transfer in	0	45
<b>Closing balance</b>	<b>170,595</b>	<b>151,605</b>
<b>Accumulated amortisation</b>		
<b>Opening balance</b>	(87,214)	(82,118)
Amortisation <sup>(ii)</sup>	(8,520)	(6,037)
Disposals	0	986
Machinery of government transfer in	0	(45)
<b>Closing balance</b>	<b>(95,734)</b>	<b>(87,214)</b>
<b>Net book value at end of financial year</b>	<b>74,861</b>	<b>64,391</b>

(i) Intangible assets (software) reported include both intangible assets under construction and capitalised intangible assets.

(ii) The consumption of intangible assets is included in the depreciation and amortisation expense line item in the comprehensive operating statement.

### Initial recognition

**Purchased intangible assets** are initially recognised at cost.

An **internally generated intangible asset** arising from development is recognised if, and only if, all of the following are demonstrated:

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

### Subsequent measurement

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment. Refer to note 5.2.3 for information on amortisation.

### Impairment

Intangible assets not yet available for use are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

## 5.4 Investments and other financial assets

	(\$ thousand)	
	2021	2020
<b>Non-current investments and other financial assets</b>		
Managed investment schemes <sup>(i)</sup>	179,890	203,213
<b>Total non-current investments and other financial assets</b>	<b>179,890</b>	<b>203,213</b>
<b>Total investments and other financial assets</b>	<b>179,890</b>	<b>203,213</b>

(i) The department measures its managed investment schemes at fair value through net result.

## 6. Other assets and liabilities

### 6.1 Introduction

This note sets out those assets and liabilities that arose from the department's controlled operations.

### 6.2 Receivables

	(\$ thousand)	
	2021	2020
<b>Contractual</b>		
Advance to agencies within portfolio	476	714
Accrued interest income	270	367
Other receivables	18,882	21,182
Provision for expected credit losses for contractual receivables	(7,584)	(2,704)
<b>Total contractual receivables</b>	<b>12,044</b>	<b>19,559</b>
<b>Statutory</b>		
Amounts owing from Victorian Government	1,510,081	1,337,507
GST input tax credit recoverable	63,283	43,030
<b>Total statutory receivables</b>	<b>1,573,364</b>	<b>1,380,537</b>
<b>Total receivables</b>	<b>1,585,408</b>	<b>1,400,096</b>
Represented by		
Current receivables	1,201,555	1,209,325
Non-current receivables	383,853	190,771

**Contractual receivables** arise from an agreement between the department and another party. They are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables, but are not classified as financial instruments for disclosure purposes. Amounts owing from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Details about the department's impairment policies, exposure to credit risk, and calculations of the allowance for impairment losses of contractual receivables are set out in note 8.2.3.

### 6.3 Payables

	(\$ thousand)	
	2021	2020
<b>Contractual</b>		
Trade creditors and other payables	445,294	367,478
Accrued capital works	100,230	52,407
Salaries and wages	34,215	38,481
<b>Total contractual payables</b>	<b>579,739</b>	<b>458,366</b>
<b>Statutory</b>		
Amounts payable to government agencies	783,435	688,558
Payroll tax	6,660	4,700
Pay as you go (PAYG) tax withheld	17,115	4,033
Fringe benefits tax	499	834
<b>Total statutory payables</b>	<b>807,709</b>	<b>698,125</b>
<b>Total payables</b>	<b>1,387,448</b>	<b>1,156,491</b>
Represented by		
Current payables	1,041,735	1,003,755
Non-current payables	345,713	152,736

**Contractual payables** arise from an agreement between the department and another party. They are classified as financial instruments and measured at amortised cost.

The average credit period for trade creditors and other payables changed from 30 days to 10 days in March 2020 as part of a State Government initiative to support businesses and the economy through the impacts of the COVID-19 pandemic.

**Statutory payables** do not arise from contracts and are recognised and measured similarly to contractual payables, but are not classified as financial instruments.

## 7. Financing operations

### 7.1 Introduction

This note provides information on the sources of finance utilised by the department during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the department.

This note includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 8.2 provides additional, specific financial instrument disclosures.

### 7.2 Borrowings

Borrowings refer to interest bearing liabilities, which for the department consist only of lease liabilities, service concession arrangement liabilities and other borrowings. Borrowings are measured at amortised cost.

	(\$ thousand)	
	2021	2020
<b>Current borrowings</b>		
Lease liabilities <sup>(i)</sup>	17,731	18,872
Service concession financial liabilities	9,747	9,776
Other borrowings <sup>(ii)</sup>	15,069	0
<b>Total current borrowings</b>	<b>42,547</b>	<b>28,648</b>
<b>Non-current borrowings</b>		
Lease liabilities <sup>(i)</sup>	135,584	149,197
Service concession financial liabilities	506,055	513,652
Other borrowings <sup>(ii)</sup>	278,568	0
<b>Total non-current borrowings</b>	<b>920,207</b>	<b>662,849</b>
<b>Total borrowings</b>	<b>962,754</b>	<b>691,497</b>

(i) Secured by the leased assets, as the rights to the leased assets revert to the lessor in the event of default.

(ii) Other borrowings relates to Hopkins Correctional Centre. In May 2010, the State entered into a public private partnership (PPP) project agreement with AEGIS Correctional Partnership Pty Ltd for the design, construction and maintenance of Hopkins Correctional Centre. In June 2012, during the construction phase, the AEGIS Correctional Partnership entered into voluntary administration. A new agreement between the State and the project's financiers was reached in August 2012 to allow for the completion of the prison. Under the new agreement, the timing of the quarterly capital payments over the contract term changed and comprised of two payments made by the State at the completion of stage 1 and stage 2 of the construction of the prison, with the payments for the operating and maintenance costs remaining as quarterly service payments over the project term. In December 2020, the State agreed to a change in the project's financiers and the reimplementation of the quarterly capital payments over the remaining contract term, which ends in March 2037, in exchange for an upfront payment from the project's financiers. This upfront payment has been recognised by the department as other borrowings.

#### Maturity analysis of borrowings

	(\$ thousand)				
	Carrying amount	Nominal amount	Less than 1 year	1 to 5 years	More than 5 years
<b>2021</b>					
Lease liabilities	153,315	330,497	37,531	128,367	164,599
Service concession financial liabilities	515,802	936,614	40,108	162,851	733,655
Other borrowings	293,637	397,563	26,738	101,806	269,019
<b>Total</b>	<b>962,754</b>	<b>1,664,674</b>	<b>104,377</b>	<b>393,024</b>	<b>1,167,273</b>
<b>2020</b>					
Lease liabilities <sup>(i)</sup>	168,069	365,743	39,028	131,178	195,537
Service concession financial liabilities	523,428	974,968	40,622	160,242	774,104
<b>Total <sup>(i)</sup></b>	<b>691,497</b>	<b>1,340,711</b>	<b>79,650</b>	<b>291,420</b>	<b>969,641</b>

(i) The 2019–20 comparative has been adjusted to include a residual interest expense.

#### Interest expense

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

	(\$ thousand)	
	2021	2020
Interest on lease liabilities <sup>(i)</sup>	19,722	24,463
Interest on service concession financial liabilities	30,870	31,464
Interest on other borrowings	6,717	0
<b>Total interest expense <sup>(i)</sup></b>	<b>57,309</b>	<b>55,927</b>

(i) The 2019–20 comparative has been adjusted to reclassify an expense from supplies and services to interest expense.

## 7.3 Leases

The department leases various buildings with lease terms of up to 30 years, and plant, equipment and vehicles with lease terms of up to 8 years.

### Right-of-use assets

Right-of-use assets are presented in note 5.2.1.

### Lease amounts recognised in the comprehensive operating statement

The following lease amounts are recognised in the comprehensive operating statement

	(\$ thousand)	
	2021	2020
Interest expense on lease liabilities	19,722	24,463
Expenses relating to short term leases	106,294	17
Expenses relating to leases of low-value assets	29	4,573
Variable lease payments, not included in the measurement of lease liabilities	1,328	1,681
<b>Total</b>	<b>127,373</b>	<b>30,734</b>

### Lease amounts recognised in the cash flow statement

The following lease amounts are recognised in the cash flow statement

	(\$ thousand)	
	2021	2020
<b>Total cash outflow for leases</b>	<b>142,874</b>	<b>58,218</b>

### Contracts containing leases

For any new contracts entered into, or changed, on or after 1 July 2019, the department considers whether the contract is or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract is, or contains a lease if:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the department and for which the supplier does not have substantive substitution rights;
- the department has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the department has the right to direct the use of the identified asset throughout the period of use; and
- the department has the right to make decisions in respect of how and for what purpose the asset is used throughout the period of use.

### Separation of lease and non-lease components

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

### Recognition and measurement of leases as a lessee

**Initial measurement of lease liability:** The lease liability is initially measured at the present value of the unpaid lease payments at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the department's incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise of the following:

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

**Subsequent measurement of lease liability:** The lease liability is subsequently reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

### Below market or peppercorn leases

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, are initially and subsequently measured at cost.

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

The department presents right-of-use assets as property, plant and equipment and lease liabilities as borrowings in the balance sheet.

**Commissioned public private partnerships (PPP) lease arrangements:** In December 2003, the State entered into a PPP arrangement with Victorian Correctional Infrastructure Partnership Pty Ltd (VCIP) for the design, construction and maintenance of two prisons, Marngoneet Correctional Centre and Metropolitan Remand Centre. This contract ends in 2031. The portion of total payments relating to the department's right to use the prison assets under this contract are accounted for as lease liabilities. The payments relating to the ongoing maintenance of the prisons are expensed. Refer to note 7.6 for commitments for expenditure for PPPs.

**Other lease arrangements:** The other leases relate to buildings, plant, equipment and vehicles with lease terms of up to eight years.

### Lease liabilities payable

	(\$ thousand)			
	Minimum future lease payments <sup>(i)</sup>		Present value of minimum future lease payments	
	2021	2020	2021	2020
<b>Commissioned PPP related lease liabilities payable</b>				
Not longer than 1 year	28,450	27,892	8,982	8,313
Longer than 1 year but not longer than 5 years	119,605	117,259	43,778	40,512
Longer than 5 years	164,269	195,064	83,024	94,943
	312,324	340,215	135,784	143,768
<b>Other lease liabilities payable</b>				
Not longer than 1 year	9,081	11,136	8,749	10,559
Longer than 1 year but not longer than 5 years	8,762	13,919	8,463	13,287
Longer than 5 years	330	473	319	455
	18,173	25,528	17,531	24,301
	330,497	365,743	153,315	168,069
<b>Minimum future lease payments<sup>(ii)</sup></b>				
Less future finance charges	(177,182)	(197,674)	0	0
	153,315	168,069	153,315	168,069
<b>Present value of minimum lease payments</b>				
Included in the financial statements as:				
Current borrowings lease liabilities			17,731	18,872
Non-current borrowing lease liabilities			135,584	149,197
			153,315	168,069

(i) The 2019–20 comparative has been adjusted to include a residual interest expense.

(ii) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

## 7.4 Service concession arrangements

For arrangements within the scope of AASB 1059 *Service concession arrangements: grantors*, at initial recognition the department records a service concession asset (SCA) at current replacement cost in accordance with the cost approach to fair value under AASB 13 *Fair value measurement*, with a related liability, which is a financial liability.

The department initially recognises the liability at the same amount as the SCA, adjusted by the amount of any consideration from the department to the operator, or from the operator to the department. An exception to this occurs when the department reclassifies an existing asset to a SCA. When this occurs, no liability is recognised unless additional consideration is provided to the operator.

The financial liability is recognised where the department has a contractual obligation to pay the operator for providing the SCA. It is measured in accordance with AASB 9 *Financial instruments* and is recognised as a borrowing (note 7.2). The liability is increased by interest charges (note 7.2), based on the interest rate implicit in the arrangement. Where the interest rate is not specified in the arrangement, the prevailing market rate of interest for a similar instrument with similar credit ratings is used. The liability is reduced by any payments made by the department to the operator as required by the contract.

The department has the following service concession arrangements.

### Fulham Correctional Centre

In October 1995, the State entered into a PPP arrangement with Australasian Correctional Investment Ltd (ACI) for the design, construction, maintenance, and operation (including providing custodial services) of Fulham Correctional Centre. The construction of the prison was completed in 1997 and the operational phase under the



original contract was due to end in 2017. However, an extension contract was entered into in April 2015, with the terms of the extension contract coming into effect on 1 July 2016. The extension contract has an initial term of 11 years and subject to ACI's performance, a further term of 8.3 years that would end in October 2035.

ACI is subject to key performance indicators over the term of the extension contract. Where there is unsatisfactory performance, the contract gives ACI the ability to rectify its performance, however if this is not satisfactory the department can adjust the quarterly payments made to ACI. Where performance is not rectified, the department can terminate the contract.

The prison assets are classified as service concession assets and are being depreciated based on their useful lives. For further details refer to the table below.

### Port Phillip Prison

In July 1996, the State entered into a PPP arrangement with G4S Correctional Services (Australia) Pty Ltd for the design, construction, maintenance, and operation (including providing custodial services) of Port Phillip Prison. The construction of the prison was completed in 1997 and the operational phase under the original contract was due to end in 2017. However, an extension contract was entered into in December 2015, with the terms of the extension contract coming into effect on 10 September 2017. The extension contract also novated from G4S Correctional Services (Australia) Pty Ltd to G4S Custodial Services Pty Ltd on 10 September 2017. For simplicity, both G4S entities are referred to as G4S. The extension contract has an initial term of 10 years and subject to G4S' performance, a further term of 10 years that would end in September 2037.

G4S is subject to key performance indicators over the term of the extension contract. Where there is unsatisfactory performance, the contract gives G4S the ability to rectify its performance, however if this is not satisfactory the department can adjust the quarterly payments made to G4S. Where performance is not rectified, the department can terminate the contract.

The prison assets are classified as service concession assets and are being depreciated based on their useful lives. For further details refer to the table below.

### Ravenhall Correctional Centre

In September 2014, the State entered into a PPP arrangement with GEO Consortium for the design, construction, maintenance and operation (including providing custodial services) of Ravenhall Correctional Centre. The construction of the prison was completed in November 2017 and the operational phase is due to expire in 2042.

GEO Consortium is subject to key performance indicators over the term of the contract. Where there is unsatisfactory performance, the contract gives the consortium the ability to rectify its performance, however if this is not satisfactory the department can adjust the quarterly payments made to the consortium. Where performance is not rectified, the department can terminate the contract.

The prison assets are classified as service concession assets and are being depreciated based on their useful lives. The corresponding liability is recorded in borrowings as a service concession liability and an interest expense on the financial liability is recognised each year in the comprehensive operating statement. For further details refer to the table below.

### Prisoner Transport Contract

Following a competitive tender process, the State entered into a new contract with G4S Custodial Services Pty Ltd (G4S) for the transportation of prisoners between courts, prisons, youth justice centres and police stations using a fleet of purpose built vehicles. The contract is for a five year period from 1 October 2015, with two options to extend for a further year.

G4S is subject to key performance indicators over the term of the contract. Where there is unsatisfactory performance, the department can adjust the payments made to G4S.

The costs for the use of the vehicles were recognised as service concession assets and are being depreciated based on their useful lives. The corresponding liability is recorded in borrowings as a service concession liability and an interest expense on the financial liability is recognised each year in the comprehensive operating statement. For further details refer to the table below.

(\$ thousand)								
SCA arrangement	Classification of arrangement	Operational/ construction in progress	Periodic payments in operations phase	Payments impacted by key performance indicators	Carrying amount of liability as at 30 June 2021	Carrying amount of asset as at 30 June 2021	Carrying amount of liability as at 30 June 2020	Carrying amount of asset as at 30 June 2020
Fulham Correctional Centre	Financial liability	Operational	Quarterly service payments	Yes	0	183,649	0	182,028
Port Phillip Prison	Financial liability	Operational	Quarterly service payments	Yes	0	233,205	0	221,376
Ravenhall Correctional Centre	Financial liability	Operational	Quarterly service payments	Yes	511,789	681,941	519,893	835,249
Prisoner Transport Contract	Financial liability	Operational	Monthly service payments	Yes	4,013	3,638	3,535	3,430

## 7.5 Cash flow information and balances

For the purposes of the cash flow statement and balance sheet, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Most of this cash is held in trusts as shown below.

	(\$ thousand)	
	2021	2020
Cash <sup>(i)</sup>	(341)	(177)
Cash and deposits held in trust <sup>(ii)</sup>		
• Crime prevention and victims' aid fund	41	41
• Domestic builders fund	13,017	26,060
• Victorian property fund	23,139	5,604
• Correctional enterprises working account	13,074	8,357
• Motor car traders' guarantee fund	6,173	5,247
• Sex work regulation fund	519	714
• Residential tenancies fund	7,568	3,899
• Vehicle lease trust account	54	54
• Inter-departmental transfer fund	16,976	7,041
• Treasury trust fund	42,717	20,464
• Victorian consumer law fund	4,667	5,259
• Emergency services infrastructure authority fund	99,401	48,789
• Emergency management operational communication program fund	109,062	38,850
<b>Balance as per cash flow statement and balance sheet</b>	<b>336,067</b>	<b>170,202</b>

(i) Due to the State of Victoria's investment policy and government funding arrangements, government departments generally do not hold a large cash reserve in their bank accounts. Cash received by a department from the generation of revenue is generally paid into the State's bank account, known as the Public Account. Similarly, any departmental expenditure, including those in the form of cheques drawn by the department for the payment of goods and services to its suppliers and creditors are made via the Public Account. The process is such that, the Public Account would remit to the department the cash required for the amount drawn on the cheques. This remittance by the Public Account occurs upon the presentation of the cheques by the department's suppliers or creditors.

The above funding arrangements often result in departments having a shortfall in the cash at bank required for payment of unrepresented cheques at the reporting date. At 30 June 2021, cash at bank included the amount of a shortfall for the payment of unrepresented cheques of \$0.109 million (2020: \$0.144 million).

(ii) Funds held in trust are quarantined for use specifically for the purposes under which each trust fund has been established.

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

	(\$ thousand)	
	2021	2020
<b>Net result for the period</b>	76,983	(18,780)
<b>Non-cash movements</b>		
Net (gain)/loss on disposal of non-current assets	(2,753)	(2,309)
Depreciation and amortisation of non-current assets	200,413	170,768
Resources (received)/provided free of charge or for nominal consideration	3,684	(4,327)
Net (gain)/loss on financial instruments	(3,734)	9,057
Net (gain)/loss from revaluation of provisions	(7,503)	5,623
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in receivables	(129,265)	(280,899)
Decrease/(increase) in prepayments	(8,572)	22,495
Decrease/(increase) in inventories	(574)	(7,154)
Increase/(decrease) in payables	118,991	282,747
Increase/(decrease) in provisions	54,544	26,810
<b>Net cash flows from/(used in) operating activities</b>	<b>302,214</b>	<b>204,031</b>

### 7.5.2 Non-cash financing and investing activities

The restructuring of administrative arrangements in note 4.4 are not reflected in the cash flow statement.

## 7.6 Trust account balances

### Trust account balances relating to trust accounts controlled and/or administered by the department

	2021				2020			
	Opening balance as at 1 July 2020	Total receipts	Total payments	Closing balance as at 30 June 2021	Opening balance as at 1 July 2019	Total receipts	Total payments	Closing balance as at 30 June 2020
<b>Cash and deposits, and investments</b>								
<b>Controlled trusts <sup>(i)</sup></b>								
<b>Crime prevention and victims' aid fund</b> Established under the <i>Confiscation Act 1997</i> to hold monies in accordance with section 134 of that Act.	41	0	0	<b>41</b>	41	0	0	<b>41</b>
<b>Domestic builders fund</b> Established under the <i>Domestic Building Contracts Act 1995</i> to hold monies in accordance with section 124 of that Act.	26,060	17,497	15,200	<b>28,357</b>	21,442	20,308	15,690	<b>26,060</b>
<b>Victorian property fund</b> Established under the <i>Estate Agents Act 1980</i> to hold monies in accordance with sections 73 and 75 of that Act.	168,857	23,373	36,726	<b>155,504</b>	192,343	23,274	46,760	<b>168,857</b>
<b>Correctional enterprises working account</b> Established under the <i>Financial Management Act 1994</i> as a working account for Correctional Enterprises.	8,357	38,412	33,695	<b>13,074</b>	11,613	27,718	30,974	<b>8,357</b>
<b>Motor car traders' guarantee fund</b> Established under the <i>Motor Car Traders Act 1986</i> to hold monies in accordance with section 74 of that Act.	5,247	3,039	2,113	<b>6,173</b>	4,940	3,186	2,879	<b>5,247</b>
<b>Sex work regulation fund</b> Established under the <i>Sex Work Act 1994</i> to hold monies in accordance with section 66 of that Act.	714	1,741	1,936	<b>519</b>	1,046	1,055	1,387	<b>714</b>
<b>Residential tenancies fund</b> Established under the <i>Residential Tenancies Act 1997</i> to hold monies in accordance with sections 492 and 493 of that Act.	43,859	28,958	33,064	<b>39,753</b>	42,987	32,603	31,731	<b>43,859</b>
<b>Vehicle lease trust account</b> Established under the <i>Financial Management Act 1994</i> to process the sales of VicFleet motor vehicles.	54	2,753	2,753	<b>54</b>	0	2,383	2,329	<b>54</b>
<b>Inter-departmental transfer fund</b> Established under the <i>Financial Management Act 1994</i> to hold monies in relation to inter-departmental transfers.	7,041	19,340	9,405	<b>16,976</b>	4,728	9,746	7,433	<b>7,041</b>
<b>Treasury trust fund</b> Established under the <i>Financial Management Act 1994</i> for the receipt and disbursement of unclaimed monies and other funds held in trust.	20,464	101,640	79,387	<b>42,717</b>	30,686	23,253	33,475	<b>20,464</b>
<b>Victorian consumer law fund</b> Established under the <i>Australian Consumer Law and Fair Trading Act 2012</i> to hold monies in accordance with section 134 and Part 6.2 of that Act.	5,259	599	1,191	<b>4,667</b>	4,829	643	213	<b>5,259</b>
<b>Emergency services infrastructure authority fund</b> Established under the <i>Financial Management Act 1994</i> to hold monies in relation to the emergency services infrastructure authority.	48,789	69,459	18,847	<b>99,401</b>	8,236	44,715	4,162	<b>48,789</b>
<b>Emergency management operational communication program fund</b> Established under the <i>Financial Management Act 1994</i> to hold monies in relation to the emergency management operational communication program.	38,850	135,126	64,914	<b>109,062</b>	44,000	57,572	62,722	<b>38,850</b>
<b>Total controlled trusts</b>	<b>373,592</b>	<b>441,937</b>	<b>299,231</b>	<b>516,298</b>	<b>366,891</b>	<b>246,456</b>	<b>239,755</b>	<b>373,592</b>

(i) Trust account balances include cash and deposits (note 7.5) and investments (note 5.4).

(\$ thousand)

	2021				2020			
	Opening balance as at 1 July 2020	Total receipts	Total payments	Closing balance as at 30 June 2021	Opening balance as at 1 July 2019	Total receipts	Total payments	Closing balance as at 30 June 2020
<b>Cash and deposits, and investments</b>								
<b>Administered trusts</b>								
<b>Asset confiscation office retained monies trust</b> Established under the <i>Financial Management Act 1994</i> for the Asset Confiscation Office.	11,391	11,411	9,412	<b>13,390</b>	11,884	8,430	8,923	<b>11,391</b>
<b>Domestic building dispute resolution victoria trust fund</b> Established under the <i>Building Legislation Amendment (Consumer Protection) Act 2016</i> to hold monies in accordance with that Act.	46	166	25	<b>187</b>	32	39	25	<b>46</b>
<b>Victorian government solicitor's trust</b> Established under the <i>Financial Management Act 1994</i> for the Victorian Government Solicitors Office.	41,075	223,225	247,220	<b>17,080</b>	54,325	171,440	184,690	<b>41,075</b>
<b>Departmental suspense</b> Established under the <i>Financial Management Act 1994</i> as a working account for the department.	3,055	1,812	1,937	<b>2,930</b>	2,313	1,954	1,212	<b>3,055</b>
<b>Revenue suspense</b> Established under the <i>Financial Management Act 1994</i> to temporarily hold monies pending correct identification of receipts.	17	31	0	<b>48</b>	19	0	2	<b>17</b>
<b>Natural disaster relief trust</b> Established under the <i>Financial Management Act 1994</i> for the receipt and disbursement of funds in relation to natural disasters in Victoria.	201,562	198,250	212,322	<b>187,490</b>	0	228,222	26,660	<b>201,562</b>
<b>Treasury trust fund</b> Established under the <i>Financial Management Act 1994</i> for the receipt and disbursement of unclaimed monies and other funds held in trust.	6,176	618	1,515	<b>5,279</b>	7,066	672	1,562	<b>6,176</b>
<b>Public service commuter club</b> Established under the <i>Financial Management Act 1994</i> for the Public Service Commuter Club.	(291)	1,168	483	<b>394</b>	(852)	2,711	2,150	<b>(291)</b>
<b>Sundry deposits</b> Established under the <i>Financial Management Act 1994</i> to hold term deposits for the Victorian Government Solicitors Office.	201	0	201	<b>0</b>	404	202	405	<b>201</b>
<b>Total administered trusts</b>	<b>263,232</b>	<b>436,681</b>	<b>473,115</b>	<b>226,798</b>	<b>75,191</b>	<b>413,670</b>	<b>225,629</b>	<b>263,232</b>

### Third party funds under management

Third party funds under management are funds held in trust for certain clients. Any earnings on the funds held pending distribution are also applied to the trust funds under management as appropriate.

(\$ thousand)

	2021	2020
<b>Prisoner private monies</b>		
Cash	6,255	6,250
Amounts owing to prisoners	(6,255)	(6,250)
	0	0
<b>Prisoner compensation quarantine</b>		
Cash	661	679
Amounts owing to prisoners	(661)	(679)
	0	0

## 7.7 Commitments for expenditure

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

### 7.7.1 Total commitments payable

	(\$ thousand)			
Nominal values	Less than 1 year	1 to 5 years	More than 5 years	Total
<b>2021</b>				
PPP commitments (note 7.7.2)	439,600	1,898,647	7,900,855	10,239,102
Capital expenditure commitments <sup>(i)</sup>	969,892	81,592	0	1,051,484
Other commitments	1,005,012	653,175	1,918	1,660,105
<b>Total commitments (inclusive of GST)</b>	<b>2,414,504</b>	<b>2,633,414</b>	<b>7,902,773</b>	<b>12,950,691</b>
<b>2020</b>				
PPP commitments (note 7.7.2)	429,038	1,847,721	8,465,003	10,741,762
Capital expenditure commitments <sup>(i)</sup>	288,423	12,871	0	301,294
Other commitments	752,488	900,994	46,624	1,700,106
<b>Total commitments (inclusive of GST)</b>	<b>1,469,949</b>	<b>2,761,586</b>	<b>8,511,627</b>	<b>12,743,162</b>

(i) Including intangible assets commitments

### 7.7.2 PPP commitments

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

Under these arrangements, the department pays the operator over the arrangement period, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as either a lease, a service concession arrangement or construction of an item of property, plant and equipment. The remaining components are accounted for as commitments for operating costs, which are expensed in the comprehensive operating statement as they are incurred.

AASB 1059 *Service Concession Arrangements: Grantors* applies to arrangements where an operator provides public services, using a service concession asset, on behalf of the State and importantly, the operator manages at least some of the public service at its own discretion. The State must also control the asset for AASB 1059 to apply. This means that certain PPP arrangements will not be within the scope of AASB 1059 and will continue to be accounted for as either leases or assets being constructed by the State and conversely, certain arrangements that are not PPPs (such as certain external service arrangements) could be captured within the scope of AASB 1059. The department has determined which arrangements should be accounted for under AASB 1059 and the details are included in note 7.4.

### PPP commitments

	(\$ thousand)					
	2021			2020		
	Liability	Other commitments	Total commitments	Liability	Other commitments	Total commitments
	Discounted value	Present value	Nominal value	Discounted value	Present value	Nominal value
Commissioned PPPs <sup>(i)</sup>						
Private prisons		6,135,497	10,239,102		6,244,410	10,741,762
Total PPP commitments		6,135,497	10,239,102		6,244,410	10,741,762

(i) The liability for commissioned PPPs are recognised on the balance sheet and are not disclosed as commitments.

## 8. Risks, contingencies and valuation judgements

### 8.1 Introduction

This note sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the department related mainly to fair value determination.

### 8.2 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the department's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

#### 8.2.1 Categories of financial instruments held by the department

##### Financial assets at amortised cost

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

- the assets are held by the department to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

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

The department recognises the following assets in this category:

- cash and deposits
- term deposits
- receivables (excluding statutory receivables)

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

Financial assets at fair value through net result are initially measured at fair value and any subsequent changes in fair value are recognised in the net result as other economic flows. The department categorised its managed investment schemes in this category.

##### Financial liabilities at amortised cost

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

- payables (excluding statutory payables)
- borrowings (excluding lease liabilities)

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

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

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

**Derecognition of financial liabilities:** A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

## 8.2.2 Net holding gain/(loss) on financial instruments by category <sup>(i)</sup>

	(\$ thousand)		
2021	Net holding gain/ (loss)	Total interest income / (expense)	Total
<b>Contractual financial assets</b>			
At fair value through net result	8,613	0	8,613
At amortised cost	(4,881)	166	(4,715)
<b>Total contractual financial assets</b>	<b>3,732</b>	<b>166</b>	<b>3,898</b>
<b>Contractual financial liabilities</b>			
At amortised cost	0	(37,587)	(37,587)
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>(37,587)</b>	<b>(37,587)</b>
			(\$ thousand)
2020	Net holding gain/ (loss)	Total interest income / (expense)	Total
<b>Contractual financial assets</b>			
At fair value through net result	(7,570)	0	(7,570)
At amortised cost	(1,487)	622	(865)
<b>Total contractual financial assets</b>	<b>(9,057)</b>	<b>622</b>	<b>(8,435)</b>
<b>Contractual financial liabilities</b>			
At amortised cost <sup>(ii)</sup>	0	(31,464)	(31,464)
<b>Total contractual financial liabilities <sup>(ii)</sup></b>	<b>0</b>	<b>(31,464)</b>	<b>(31,464)</b>

(i) Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.

(ii) The 2019–20 comparative has been adjusted to remove the interest expense related to lease liabilities.

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

- for financial assets at fair value through net result, the net gain or loss is calculated by taking the movement in the fair value of the financial asset;
- for financial assets at amortised cost, the net gain or loss is calculated by taking the interest income minus any impairment recognised in the net result; and
- for financial liabilities at amortised cost, the net loss is the interest expense.

## 8.2.3 Financial risk management objective and policies

The department's main financial risks include credit risk, liquidity risk and market risk such as interest rate risk, equity price risk and foreign currency risk. The department manages these financial risks in accordance with its financial risk management policy.

### Financial instruments: credit risk

Credit risks arise from the contractual financial assets of the department, which comprises cash and deposits, contractual receivables and investments and other contractual financial assets. The department's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to the department. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the department's contractual financial assets is minimal because its cash and deposits and the majority of its contractual receivables are with financial institutions and government agencies. Credit risk in relation to receivables is also monitored by management by reviewing the ageing of receivables on a monthly basis. Credit risk in relation to the department's investments with the Victorian Funds Management Corporation is managed by the department in line with approved investment guidelines.

The department does not engage in hedging for its contractual financial assets.

The carrying amount of contractual financial assets recorded in the financial statements, net of any provision for expected credit losses, represents the department's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the department's credit risk profile in 2020–21.

### Impairment of financial assets under AASB 9

The department records the provision for expected credit losses for relevant financial instruments by applying AASB 9's expected credit loss approach.

Financial assets at fair value through net result are not subject to impairment under AASB 9.

Cash and deposits and statutory receivables are subject to impairment under AASB 9, but any impairment loss would be immaterial.

Contractual receivables are subject to impairment under AASB 9. The department applied AASB 9's simplified approach to measure the expected credit losses of its contractual receivables using a lifetime expected loss allowance based on assumptions about risk of default and expected loss rates. The department has grouped



contractual receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on the department's past experience, current market conditions and forward looking estimates including considering the impacts of the COVID-19 pandemic. On this basis, the department determined the provision for expected credit losses for the financial year as follows.

(\$ thousand)						
30 June 2021	Current	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Expected loss rate	2%	2%	3%	100%	100%	
Gross carrying amount of contractual receivables relating to the provision of goods and services	7,430	524	15	5,361	199	13,529
<b>Provision for expected credit losses</b>	<b>152</b>	<b>8</b>	<b>0</b>	<b>5,361</b>	<b>199</b>	<b>5,720</b>
Expected loss rate	31%					
Gross carrying amount of other contractual receivables	6,099					6,099
<b>Provision for expected credit losses</b>	<b>1,864</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,864</b>

(\$ thousand)						
30 June 2020	Current	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Expected loss rate	2%	2%	11%	100%	100%	
Gross carrying amount of contractual receivables relating to the provision of goods and services	3,819	13,057	382	447	154	17,859
<b>Provision for expected credit losses</b>	<b>87</b>	<b>302</b>	<b>41</b>	<b>447</b>	<b>154</b>	<b>1,030</b>
Expected loss rate	38%					
Gross carrying amount of other contractual receivables	4,404					4,404
<b>Provision for expected credit losses</b>	<b>1,673</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,673</b>

Reconciliation of the movement in the provision for expected credit losses for contractual receivables is shown as follows.

(\$ thousand)		
	2021	2020
<b>Balance at beginning of the year</b>	<b>(2,704)</b>	<b>(1,223)</b>
Increase in provision recognised in the net result	(4,880)	(1,481)
<b>Balance at end of the year</b>	<b>(7,584)</b>	<b>(2,704)</b>

Movements in the provision for expected credit losses for contractual receivables are classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and these impairment losses are classified as either a transaction expense or other economic flows in the net result.

### Financial instruments: liquidity risk

Liquidity risk arises when the department is unable to meet its financial obligations as they fall due. The department operates under the government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution. This payment policy changed from 30 days to 10 days in March 2020 as part of a State Government initiative to support businesses and the economy through the impacts of the COVID-19 pandemic and has continued for this financial year.

The department's maximum exposure to liquidity risk is the carrying amounts of its financial liabilities as disclosed in the balance sheet. The exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

### Financial instruments: market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The department's exposures to market risk are insignificant and primarily through interest rate risk and equity price risk, with only minimal exposure to foreign currency risk.

### Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The department does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The department has minimal exposure to cash flow interest rate risks through its cash and deposits that are at floating rate.

Interest rate exposures are insignificant and arise predominantly from assets bearing variable interest rates.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

## Interest rate exposure of financial instruments <sup>(i)</sup>

(\$ thousand)					
2021	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
<b>Financial assets</b>					
Cash and deposits	0.33%	336,067	0	40,636	295,431
Receivables					
• Advance to agencies within portfolio		476	0	0	476
• Accrued interest income	0.15%	270	270	0	0
• Other receivables		11,298	0	0	11,298
Investments and other contractual financial assets					
• Managed investment schemes		179,890	0	0	179,890
<b>Total financial assets</b>		<b>528,001</b>	<b>270</b>	<b>40,636</b>	<b>487,095</b>
<b>Financial liabilities</b>					
Payables					
• Trade creditors and other payables		445,294	0	0	445,294
• Accrued capital works		100,230	0	0	100,230
• Salaries and wages		34,215	0	0	34,215
Borrowings					
• Service concession financial liabilities	6.06%	515,802	515,802	0	0
• Other borrowings	4.05%	293,637	293,637	0	0
<b>Total financial liabilities</b>		<b>1,389,178</b>	<b>809,439</b>	<b>0</b>	<b>579,739</b>

(\$ thousand)					
2020	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
<b>Financial assets</b>					
Cash and deposits	1.66%	170,202	0	32,294	137,908
Receivables					
• Advance to agencies within portfolio		714	0	0	714
• Accrued interest income	0.23%	367	367	0	0
• Other receivables		18,478	0	0	18,478
Investments and other contractual financial assets					
• Managed investment schemes		203,213	0	0	203,213
<b>Total financial assets</b>		<b>392,974</b>	<b>367</b>	<b>32,294</b>	<b>360,313</b>
<b>Financial liabilities</b>					
Payables					
• Trade creditors and other payables		367,478	0	0	367,478
• Accrued capital works		52,407	0	0	52,407
• Salaries and wages		38,481	0	0	38,481
Borrowings <sup>(iii)</sup>					
• Service concession financial liabilities	6.07%	523,428	523,428	0	0
<b>Total financial liabilities</b>		<b>981,794</b>	<b>523,428</b>	<b>0</b>	<b>458,366</b>

(i) Amounts disclosed in this table exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

(ii) The 2019–20 comparative has been adjusted to remove the interest rate exposure related to lease liabilities.

### Equity price risk

The department is exposed to equity price risk through its managed investment schemes. The department appointed the Victorian Funds Management Corporation to manage its investment portfolio in accordance with the Investment Risk Management Plan approved by the Treasurer.

### Foreign currency risk

The department is not exposed to significant foreign currency risk through its payables relating to purchases of supplies from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

### Market risk sensitivity

Taking into account past performance and future expectations, the department believes the following movements are reasonably possible over the next 12 months.

(\$ thousand)

	Carrying amount	Interest rate risk		Other price risk	
		Net result +1%	Net result -1%	Net result +3%	Net result -3%
<b>2021</b>					
Cash and deposits	40,636	406	(406)	0	0
Managed investment schemes	179,890	0	0	5,397	(5,397)
<b>Total</b>	<b>220,526</b>	<b>406</b>	<b>(406)</b>	<b>5,397</b>	<b>(5,397)</b>
	Carrying amount	Interest rate risk		Other price risk	
		Net result +1%	Net result -1%	Net result +4%	Net result -4%
<b>2020</b>					
Cash and deposits	32,294	323	(323)	0	0
Managed investment schemes	203,213	0	0	8,129	(8,129)
<b>Total</b>	<b>235,507</b>	<b>323</b>	<b>(323)</b>	<b>8,129</b>	<b>(8,129)</b>

### 8.3 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed in this note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST.

#### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

#### Quantifiable contingent assets

	(\$ thousand)	
	2021	2020
Legal proceedings and disputes	2,298	811
Other	59	0
<b>Total</b>	<b>2,357</b>	<b>811</b>

#### Contingent liabilities

Contingent liabilities are:

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

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

#### Non-quantifiable contingent liabilities

##### Native title

A number of claims have been filed with the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

#### National redress scheme – sexual abuse of children in institutions

On 13 June 2018, the *National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 (Vic)* commenced. The Act refers power to the Commonwealth Parliament to ensure that Victorian institutions can participate in the National Redress Scheme. The National Redress Scheme commenced on 1 July 2018 and will run for 10 years. The Scheme will deliver a financial payment of up to \$150 000, access to psychological counselling and an apology from the responsible institution to eligible survivors of institutional child abuse. This implements a recommendation of the Victorian Parliamentary Inquiry Betrayal of Trust report and the Royal Commission into Institutional Responses to Child Sexual Abuse.

The Government has set aside funding over the ten years for redress. If a survivor is eligible for redress payments, funding will be made available. Due to the historical nature of the abuse in question, the precise number of eligible survivors of abuse is difficult to estimate. Consequently, the exact financial implications of Victoria's participation remain uncertain.

An administered provision has been recognised in the administered items note 4.3 for applications under the National Redress Scheme that have been received but not yet assessed and offers made but have not yet been accepted or rejected by the survivor. A non-quantifiable contingent liability exists for future applications that

may be received under the National Redress Scheme, which are contingent on eligible survivors applying to the Scheme and can not be reliably estimated.

### Employee benefits

Various employee benefits are currently being investigated. The outcome of whether an obligation exists has not been determined for all matters under investigation. For matters where an obligation has been determined, a reliable estimate has not been determined for the amount of the obligation.

### Quantifiable contingent liabilities

	(\$ thousand)	
	2021	2020
Legal proceedings and disputes	55,495	65,183
Make good leased premises <sup>(i)</sup>	12,390	15,563
Other	55,000	0
<b>Total</b>	<b>122,885</b>	<b>80,746</b>

(i) The make good leased premises contingent liability, which relates to the accommodation leases that transferred to the Department of Treasury and Finance (DTF) on 1 November 2019, has been reinstated and will continue to be disclosed by the department until an agreement is made to transfer the obligation to DTF.

## 8.4 Fair value determination

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

The following assets are carried at fair value:

- financial assets at fair value through net result
- property, plant and equipment
- non-financial assets classified as held for sale

### Fair value hierarchy

All assets that are measured at fair value are categorised within the following fair value hierarchy based on the lowest level input that is significant to their fair value measurement as a whole.

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Changes in unobservable values will result in changes to the asset carrying values.

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

The department monitors changes in the fair value of each asset through relevant data sources to determine whether revaluation is required.

### 8.4.1 Fair value of financial assets and liabilities at amortised cost

The carrying amounts of the department's cash and deposits, receivables (excluding statutory receivables), payables (excluding statutory payables), prisoner transport contract's service concession liability and other borrowings are reasonable approximations of their fair values as at 30 June 2021. Ravenhall Correctional Centre's service concession liability's carrying amount is \$511.8 million (2020: \$519.9 million) and fair value is \$532.0 million (2020: \$623.4 million) as at 30 June 2021.

### 8.4.2 Fair value determination for financial assets at fair value through net result

The department's managed investment schemes are carried at their fair values and are categorised within level 2 of the fair value hierarchy. These investments are revalued by the Victorian Funds Management Corporation and their market value movement is recognised by the department on a monthly basis.

There have been no transfers between levels during the period.

### 8.4.3 Fair value determination for property, plant and equipment

The department's property, plant and equipment are carried at their fair values.

### Independent valuations in 2020–21

An independent valuation of the department's land, buildings, right of use buildings (that will be eventually owned by the department), service concession buildings and artwork was performed by the Valuer-General Victoria in 2020–21. The Valuer-General used in house valuers to perform the valuations of the department's land, and

external independent valuers to perform the valuations of the department's buildings and artwork which was performed by Napier & Blakeley Proprietary Ltd and the Dominion Group Pty Ltd respectively. The effective date of the valuation was 30 June 2021.

Right of use buildings, that will not be eventually owned by the department, have not been revalued because there has not been a material movement in their values.

### **Impacts of the COVID-19 pandemic on the fair value of property, plant and equipment**

The land and building valuations may have been impacted by the market uncertainty caused by the COVID-19 pandemic. Given the unknown future impact that COVID-19 might have on the markets, the land and building values may change significantly and unexpectedly over a relatively short period of time.

### **Non-specialised land, non-specialised buildings and artworks**

Non-specialised land, non-specialised buildings and artworks are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

For non-specialised land and non-specialised buildings, independent valuations are performed to determine the fair value using the market approach. Valuation of the assets are determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre is applied to the subject asset.

For artwork, valuation of the assets is determined by a comparison to similar assets sold throughout Australia on sales websites and auction catalogues.

To the extent that non-specialised land, non-specialised buildings and artwork do not contain significant unobservable adjustments, these assets are classified within level 2 of the fair value hierarchy.

The department held \$7.695 million (2020: \$7.102 million) of non-specialised land, no non-specialised buildings, and \$0.046 million (2020: \$0.027 million) of artwork as at 30 June 2021.

### **Specialised land and specialised buildings**

Specialised land is valued using the market approach, adjusted for a community service obligation (CSO) that reflects the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified within level 3 of the fair value hierarchy. A significant increase or decrease in the CSO adjustment would result in a significantly higher or lower fair value.

Specialised buildings are valued using the current replacement cost method, adjusted for depreciation. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified within level 3 of the fair value hierarchy. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.

The department held \$356.485 million (2020: \$323.781 million) of specialised land, and \$2,858.368 million (2020: \$2,772.231 million) of specialised buildings as at 30 June 2021.

### **Heritage buildings**

Heritage buildings are valued using the current reproduction cost adjusted for depreciation. The reproduction cost includes those costs that replicate the existing building as closely as possible by using modern construction techniques and materials. As depreciation adjustments are considered as significant unobservable inputs in nature, heritage buildings are classified within level 3 of the fair value hierarchy. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.

The department held \$9.508 million (2020: \$5.232 million) of heritage buildings as at 30 June 2021.

### **Plant and equipment**

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method, adjusted for depreciation. As depreciation adjustments are considered as significant unobservable inputs in nature, plant and equipment are classified within level 3 of the fair value hierarchy. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.

There were no changes in valuation techniques throughout the period to 30 June 2021.

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

### **8.4.4 Fair value determination for non-financial assets classified as held for sale**

The department's non-financial assets classified as held for sale are carried at their fair values. Leased vehicles held for sale were valued using the techniques referred to in note 8.4.3 for plant and equipment, and are classified within level 3 of the fair value hierarchy.

## 9. Other disclosures

### 9.1 Introduction

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

### 9.2 Ex-gratia expenses

	(\$ thousand)	
	2021	2020
Compensation for economic loss	535	120
<b>Total ex-gratia expenses <sup>(i)</sup></b>	<b>535</b>	<b>120</b>

(i) Ex-gratia expenses fall under other supplies and services in note 3.5.

### 9.3 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

	(\$ thousand)	
	2021	2020
<b>Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposal of property, plant and equipment	2,753	2,309
<b>Total net gain/(loss) on non-financial assets</b>	<b>2,753</b>	<b>2,309</b>
<b>Net gain/(loss) on financial instruments</b>		
Impairment of contractual receivables <sup>(i)</sup>	(4,880)	(1,481)
Bad debts written off unilaterally	(1)	(6)
Net gain/(loss) on disposal and revaluation of managed investment schemes	8,613	(7,570)
Net gain/(loss) on derecognition and recognition of borrowings	2	0
<b>Total net gain/(loss) on financial instruments</b>	<b>3,734</b>	<b>(9,057)</b>
<b>Other gains/(losses) from other economic flows</b>		
Net gain/(loss) from revaluation of long service leave liability <sup>(ii)</sup>	7,898	(5,765)
Net gain/(loss) from revaluation of other provisions <sup>(iii)</sup>	(395)	142
<b>Total other gains/(losses) from other economic flows</b>	<b>7,503</b>	<b>(5,623)</b>

(i) Includes (increase)/decrease in allowance for impairment losses of contractual receivables.

(ii) Revaluation gain/(loss) due to changes in bond rates.

(iii) Revaluation gain/(loss) due to changes in bond rates and actuarial assumptions.

### 9.4 Physical asset revaluation surplus <sup>(i)</sup>

	(\$ thousand)	
	2021	2020
<b>Land</b>		
Balance at beginning of financial year	182,766	138,977
Revaluation increment/(decrement)	27,697	43,789
<b>Balance at end of financial year</b>	<b>210,463</b>	<b>182,766</b>
<b>Buildings</b>		
Balance at beginning of financial year	729,062	472,571
Revaluation increment/(decrement)	(70,309)	256,491
<b>Balance at end of financial year</b>	<b>658,753</b>	<b>729,062</b>
<b>Artwork</b>		
Balance at beginning of financial year	2	2
Revaluation increment/(decrement)	4	0
<b>Balance at end of financial year</b>	<b>6</b>	<b>2</b>
<b>Total balance at beginning of financial year</b>	<b>911,830</b>	<b>611,550</b>
<b>Total balance at end of financial year</b>	<b>869,222</b>	<b>911,830</b>
<b>Net change</b>	<b>(42,608)</b>	<b>300,280</b>

(i) The physical asset revaluation surplus arises from the revaluation of land, buildings and artwork.

## 9.5 Responsible persons

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

### Names

The people who held the positions of Ministers and Accountable Officers in the department (from 1 July 2020 to 30 June 2021 unless otherwise stated) were as follows.

Attorney-General	The Hon. Jill Hennessy, MP	1 July 2020	to	16 December 2020
	The Hon. Jaclyn Symes, MP	22 December 2020	to	30 June 2021
Acting Attorney-General	The Hon. Daniel Andrews, MP	17 December 2020	to	21 December 2020
	The Hon. Martin Pakula, MP	11 January 2021	to	26 January 2021
Minister for Consumer Affairs, Gaming and Liquor Regulation	The Hon. Melissa Horne, MP	1 July 2020	to	30 June 2021
Acting Minister for Consumer Affairs, Gaming and Liquor Regulation	The Hon. Ingrid Stitt, MP	5 March 2021	to	8 March 2021
Minister for Corrections	The Hon. Natalie Hutchins, MP	1 July 2020	to	30 June 2021
Acting Minister for Corrections	The Hon. Lisa Neville, MP	17 December 2020	to	3 January 2021
	The Hon. Jaclyn Symes, MP	2 April 2021	to	5 April 2021
Minister for the Coordination of Justice and Community Safety – COVID-19 <sup>(i)</sup>	The Hon. Jill Hennessy, MP	1 July 2020	to	9 November 2020
Minister for Crime Prevention	The Hon. Natalie Hutchins, MP	1 July 2020	to	30 June 2021
Acting Minister for Crime Prevention	The Hon. Lisa Neville, MP	17 December 2020	to	3 January 2021
	The Hon. Jaclyn Symes, MP	2 April 2021	to	5 April 2021
Minister for Police and Emergency Services	The Hon. Lisa Neville, MP	1 July 2020	to	30 June 2021
Acting Minister for Police and Emergency Services	The Hon. James Merlino, MP	8 November 2020	to	10 November 2020
	The Hon. Martin Foley, MP	13 February 2021	to	19 February 2021
	The Hon. Danny Pearson, MP	20 February 2021	to	25 June 2021
	The Hon. Jaclyn Symes, MP	26 June 2021	to	30 June 2021
Minister for Victim Support	The Hon. Natalie Hutchins, MP	1 July 2020	to	30 June 2021
Acting Minister for Victim Support	The Hon. Lisa Neville, MP	17 December 2020	to	3 January 2021
	The Hon. Jaclyn Symes, MP	2 April 2021	to	5 April 2021
Minister for Workplace Safety	The Hon. Jill Hennessy, MP	1 July 2020	to	29 September 2020
	The Hon. Ingrid Stitt, MP	29 September 2020	to	30 June 2021
Acting Minister for Workplace Safety	The Hon. Melissa Horne, MP	22 December 2020	to	26 December 2020
Minister for Youth Justice	The Hon. Natalie Hutchins, MP	1 July 2020	to	30 June 2021
Acting Minister for Youth Justice	The Hon. Lisa Neville, MP	17 December 2020	to	3 January 2021
	The Hon. Jaclyn Symes, MP	2 April 2021	to	5 April 2021
Secretary	Rebecca Falkingham	1 July 2020	to	30 June 2021
Acting Secretary	Corri McKenzie	12 January 2021	to	26 January 2021

(i) Temporary position created on 3 April 2020 to lead all COVID-19 response activities in respect of the department and was withdrawn on 9 November 2020.

### Remuneration

Remuneration received or receivable by the Accountable Officer (Secretary) in connection with the management of the department during the reporting period was in the range: \$590,000 – \$599,999 (\$590,000 – \$599,999 in 2019–20). The remuneration is reported in line with accounting standards rather than actual remuneration paid. The 2019–20 figures have been amended in line with these standards and the increase from the previous reporting period is a reflection of the change in reporting method, rather than an actual increase in remuneration. The reporting for the 2020–21 financial year includes accrued annual leave in addition to accrued long service leave.



## 9.6 Remuneration of executives

The number of executive officers, other than Ministers and the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

**Short-term employee benefits** include amounts such as wages, salaries, annual leave and non-monetary benefits such as motor vehicle allowances.

**Post-employment benefits** include superannuation entitlements.

**Other long-term benefits** include long service leave and other long term benefits.

**Termination benefits** include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated, and a number of executive officers resigned or their contracts ceased. This has had an impact on remuneration figures for the termination benefits category. A number of executive roles were created to support COVID-19 activities and to support other departmental priorities, which has impacted all benefits categories.

	(\$ thousand)	
Remuneration of executive officers <sup>(i)(ii)</sup>	2021	2020
Short-term employee benefits <sup>(iii)</sup>	43,462	30,428
Post-employment benefits <sup>(iii)</sup>	3,708	2,559
Other long-term benefits	1,200	892
Termination benefits	76	709
<b>Total remuneration <sup>(iii)</sup></b>	<b>48,446</b>	<b>34,588</b>
<b>Total number of executives</b>	<b>246</b>	<b>173</b>
<b>Total annualised employee equivalents <sup>(iv)(v)</sup></b>	<b>183.1</b>	<b>134.0</b>

(i) Includes nine active executives from the Victorian Government Solicitor's Office, 19 executives from COVID-19 Quarantine Victoria and 24 executives from Bushfire Recovery Victoria.

(ii) Includes key management personnel (KMP) disclosed in note 9.7, who also meet the definition of executives under FRD21C *Disclosures of responsible persons and executive officers in the financial report*.

(iii) The 2019–20 comparative has been restated in line with accrual accounting.

(iv) The total annualised employee equivalent is based on the time fraction worked over the reporting period.

(v) The 2019–20 comparative has been restated as a result of a correction in its calculation.

A reconciliation is provided in the report of operations between the number of executive officers disclosed in the above table and the number of executive officers disclosed in the report of operations.

## 9.7 Related parties

Related parties of the department include:

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

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

## Key management personnel

The people who held, or acted for more than three months in, key management positions in the department (from 1 July 2020 to 30 June 2021 unless otherwise stated) were as follows.

<b>Portfolio Ministers (refer to note 9.5)</b>			
<b>Secretary (refer to note 9.5)</b>			
Deputy Secretary Aboriginal Justice	Joshua Smith	1 July 2020	to 18 June 2021
Deputy Secretary Consumer Affairs, Liquor, Gaming and Dispute Services	John Batho	3 February 2021	to 30 June 2021
Deputy Secretary Corporate Governance and Support	Andrew Minack Andrew Campbell	1 July 2020 10 March 2021	to 4 October 2020 to 30 June 2021
Acting Deputy Secretary Corporate Governance and Support	Lynda Rogers	5 October 2020	to 9 March 2021
Deputy Secretary Corrections and Justice Services	Ryan Phillips	1 July 2020 7 December 2020	to 13 July 2020 to 30 June 2021
Acting Deputy Secretary Corrections and Justice Services	Carly Edwards	13 July 2020	to 21 December 2020
Deputy Secretary COVID-19 Accommodation (previously known as Deputy Secretary Hotel Services)	Ryan Phillips	14 July 2020	to 6 December 2020
Deputy Secretary Emergency Management Victoria	Kate Fitzgerald	1 July 2020	to 14 February 2021
Acting Deputy Secretary Emergency Management Victoria	Susan Clifford	15 February 2021	to 30 May 2021
Deputy Secretary Fines, Registration and Crime Prevention	Craig Howard	12 January 2021	to 30 June 2021
Deputy Secretary Justice Infrastructure and CEO Community Safety Building Authority	Corinne Cadilhac	1 July 2020	to 30 June 2021
Deputy Secretary Justice Policy and Data Reform	Anna Faithfull Samuel Porter	1 July 2020 28 March 2021	to 11 March 2021 to 30 June 2021
Deputy Secretary People and Workplace Services	Nicola Brown	1 July 2020	to 30 June 2021
Deputy Secretary Police, Community Safety and Communications	Bill Kyriakopoulos	1 February 2021	to 30 June 2021
Deputy Secretary Police, Fines and Crime Prevention	Corri McKenzie	1 July 2020	to 7 February 2021
Deputy Secretary and Chief Counsel Regulation, Legal and Integrity	Samuel Porter Marian Chapman	1 July 2020 17 May 2021	to 27 March 2021 to 30 June 2021
Deputy Secretary Service Delivery Reform, Coordination and Workplace Safety	Peta McCammon	1 July 2020	to 30 June 2021
Deputy Secretary Youth Justice	Brigid Sunderland	1 May 2021	to 30 June 2021
Acting Deputy Secretary Youth Justice	Dannii de Kretser	1 July 2020	to 30 April 2021
Executive Director North West Metropolitan Area	Susan Clifford	1 July 2020	to 6 July 2020
Acting Executive Director North West Metropolitan Area	Taryn Escreet	24 August 2020	to 30 June 2021
Executive Director North Area	Robin Francis	1 July 2020	to 30 June 2021
Executive Director South Area	Albert Bentincontri	1 July 2020	to 30 June 2021
Executive Director West Area	Michelle Wood	1 July 2020	to 30 June 2021
Commissioner Corrections Victoria	Emma Cassar	1 July 2020	to 2 July 2020
Acting Commissioner Corrections Victoria	Larissa Strong	1 July 2020	to 30 June 2021
Deputy Commissioner Custodial Operations	Melissa Westin	1 July 2020	to 30 June 2021
Commissioner Emergency Management	Andrew Crisp	1 July 2020	to 30 June 2021
Commissioner Youth Justice	Jodi Henderson	1 July 2020	to 30 June 2021
Commissioner COVID-19 Quarantine Victoria	Emma Cassar	3 July 2020	to 30 June 2021
Chairperson Building Licensing Authority	Nicole Marshall	1 July 2020	to 30 June 2021
Chairperson Post Sentence Authority	Michelle Williams	1 July 2020	to 30 June 2021
Road Safety Camera Commissioner	Stephen Leane	1 July 2020	to 30 June 2021
Victorian Information Commissioner	Sven Bluemmel	1 July 2020	to 30 June 2021
Chief Finance Officer	Lynda Rogers	1 July 2020 10 March 2021	to 4 October 2020 to 30 June 2021
Acting Chief Finance Officer	Anna Higgs	5 October 2020	to 6 January 2021

The compensation detailed below excludes the salaries and benefits of Portfolio Ministers. The Ministers' remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services' Financial Report.

	(\$ thousand)	
Compensation of KMPs <sup>(i)</sup>	2021	2020
Short-term employee benefits <sup>(ii)</sup>	8,705	7,380
Post-employment benefits <sup>(ii)</sup>	603	517
Other long-term benefits	424	243
Termination benefits	0	297
<b>Total <sup>(ii)</sup></b>	<b>9,732</b>	<b>8,437</b>

(i) KMPs of the department, excluding the Ministers and Accountable Officer, that also meet the definition of executive officers under FRD21C are reported in the disclosures in note 9.6.

(ii) The 2019–20 comparative has been restated in line with accrual accounting.

### Transactions and balances with key management personnel and other related parties

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

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

The department receives income from government such as the appropriations shown in note 2.2, and income from government-related-entities such as grant income as shown in note 2.5, and other income as shown in note 2.6. The department pays government-related-entities grants as shown in note 3.3, the capital asset charge as shown in note 3.4, for some of the technology services as shown in note 3.5, for payments into the consolidated fund as shown in note 4.3, and amounts payable to government agencies in note 6.3.

## 9.8 Remuneration of auditors

	(\$ thousand)	
	2021	2020
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	480	366
Additional fee	196	28
<b>Total remuneration of auditors</b>	<b>676</b>	<b>394</b>

## 9.9 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020–21 reporting period. These accounting standards have not been applied to these financial statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to defer the application by one year to periods beginning on or after 1 January 2023. The department will not early adopt the standard. This standard is not anticipated to have a material impact.

## 9.10 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

**Administered item** generally refers to a department lacking the capacity to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

**Amortisation** is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

**Borrowings** refers to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, lease liabilities, service concession arrangements and other interest bearing arrangements. Borrowings also include non interest bearing advances from government that are acquired for policy purposes.

**Commitments** include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

**Comprehensive result** is the amount included in the operating statement representing total change in net worth other than transactions with owners.

**Controlled item** generally refers to the capacity of a department to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

**Current grants** are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

**Depreciation** is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

**Effective interest method** is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

**Employee benefits expenses** include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and superannuation contributions.

**Ex-gratia expenses** mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

**Financial asset** is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right: to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is: a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

**Financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial liability** is any liability that is:

- a contractual obligation: to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is: a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**Financial statements** comprises:

- a comprehensive operating statement for the period;
- a balance sheet as at the end of the period;
- a cash flow statement for the period;
- a statement of changes in equity for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;

- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

**Grant expenses and other transfers** are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can be either operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

**Grants for on-passing** are grants paid to one institutional sector (e.g. a State general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

**Interest expense** represents costs incurred in connection with borrowings and includes the interest components of lease liabilities and service concession financial liabilities.

**Interest income** includes interest received on bank term deposits, interest from investments, and other interest received.

**Leases** are rights conveyed in a contract, or part of a contract, for the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

**Net result** is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

**Net result from transactions or net operating balance** is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

**Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

**Non-financial assets** are all assets that are not financial assets. It includes inventories, land, buildings, plant and equipment, cultural and heritage assets and intangible assets.

**Non-produced assets** are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets such as patents.

**Other economic flows included in net result** are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets; and fair value changes of financial instruments.

**Other economic flows – other comprehensive income** comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus.

**Payables** include short and long-term trade debt and accounts payable, grants and interest payable.

**Produced assets** include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, and research and development costs (which does not include the start-up costs associated with capital projects).

**Receivables** include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

**Sales of goods and services** refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, and work done as an agent for private enterprises. User charges includes sale of goods and services income.

**Service concession arrangement** is a contract effective during the reporting period between a grantor and an operator in which:

- the operator has the right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time;

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

**Supplies and services** generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the department.

**Taxation income** represents income received from the State's taxpayers and includes: gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing; and other taxes, including licence fees.

**Transactions** are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

## 9.11 Style conventions

Figures in the tables and text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

(xxx.x)	negative numbers
201x	year period
201x-1x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2020–21 *Model Report for Victorian Government Departments*.