Revisions/updates to the 2016-17 Model Report for Victorian Government Departments (the Model)

Please find below a summary of updates made to the Model subsequent to its release. The relevant pages with tracked changes have been attached to facilitate updating the Model. The changes are also reflected in the Model Report.

|  |  |
| --- | --- |
| Location in the Model | Explanation |
| Disclosure Index  (p.67-68) | 2016-17 financial year is a transitional year where the Victorian Government Risk Management Framework will still be applicable under SD 3.7.1. This transitional attestation will cease in 2017-18 and become part of the overarching public attestation with all the Directions under SD 5.1.4.  Although the attestation section on p.64 has the correct reference to SD 3.7.1, the disclosure index has a reference to SD 5.1.4 which will be applicable from 2017-18 onwards. An amendment has been made to update the SD reference in the disclosure index. |
| Section 4 Disaggregated financial information by output  (p.101-102) | The wording has been amended to clarify that income and expense items in the departmental outputs section should form part of controlled balances. |
| Guidance – Property, plant and equipment  (p.117-118) | The wording has been amended to reflect the requirements in FRD 103F *Non-financial physical assets*, which requires entities to use the revaluation model and account for the accumulated depreciation by using the net approach. |
| Section 7 How we finance our operations – 7.4 Trust account balances  (p.148-149) | The paragraphs previously on page 148 related to third party funds has been merged with the paragraphs under “Third party funds under management” on page 149. |
| Guidance – Third party funds under management  (p.151-152) | The reference to the PAEC recommendation number has been updated. |
| Section 9 Other disclosures -  Table 9.2 Other economic flows included in net result  (p.195) | “Bad debts written off by mutual agreement” in the table has been amended to “Bad debts written off unilaterally” for consistency with the requirements of *Government Financial Statistics Manual.* |

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Revised

FRD 10A

Disclosure index

[The disclosure index is best disclosed as the first appendix of an entity’s annual report.]

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

|  |  |  |  |
| --- | --- | --- | --- |
| Legislation | Requirement | Page reference | |
| *Ministerial Directions & Financial Reporting Directions* | | | |
| *Report of operations* | | | |
| **Charter and purpose** | | | |
| FRD 22H | Manner of establishment and the relevant Ministers | | Page 13 |
| FRD 22H | Purpose, functions, powers and duties | | Page 14 |
| FRD 8D | Departmental objectives, indicators and outputs | | Page 17 |
| FRD 22H | Key initiatives and projects | | Page 19 |
| FRD 22H | Nature and range of services provided | | Page 13 |
| **Management and structure** | | | |
| FRD 22H | Organisational structure | | Page 32 |
| **Financial and other information** | | | |
| FRD 8D | Performance against output performance measures | | Page 19 |
| FRD 8D | Budget portfolio outcomes | | Page 25 |
| FRD 10A | Disclosure index | | Page 67 |
| FRD 12B | Disclosure of major contracts | | Page 51 |
| FRD 15D | Executive officer disclosures | | Page 44 |
| FRD 22H | Employment and conduct principles | | Page 39 |
| FRD 22H | Occupational health and safety policy | | Page 34 |
| FRD 22H | Summary of the financial results for the year | | Page 26 |
| FRD 22H | Significant changes in financial position during the year | | Page 27 |
| FRD 22H | Major changes or factors affecting performance | | Page 27 |
| FRD 22H | Subsequent events | | Page 31 |
| FRD 22H | Application and operation of *Freedom of Information Act 1982* | | Page 52 |
| FRD 22H | Compliance with building and maintenance provisions of *Building Act 1993* | | Page 53 |
| FRD 22H | Statement on National Competition Policy | | Page 53 |
| FRD 22H | Application and operation of the *Protected Disclosure Act 2012* | | Page 54 |
| FRD 22H | Application and operation of the *Carers Recognition Act 2012* | | Page 55 |
| FRD 22H | Details of consultancies over $10 000 | | Page 49 |
| FRD 22H | Details of consultancies under $10 000 | | Page 49 |
| FRD 22H | Disclosure of government advertising expenditure | | Page 48 |
| FRD 22H | Disclosure of ICT expenditure | | Page 50 |
| FRD 22H | Statement of availability of other information | | Page 63 |
| FRD 24C | Reporting of office‑based environmental impacts | | Page 56 |
| FRD 25C | Victorian Industry Participation Policy disclosures | | Page 46 |
| FRD 29B | Workforce Data disclosures | | Page 40 |
| SD 5.2 | Specific requirements under Standing Direction 5.2 | | Page 11 |
| **Compliance attestation and declaration** | | | |
| SD 3.7.1 | Attestation for compliance with Ministerial Standing Direction | | Page 64 |
| SD 5.2.3 | Declaration in report of operations | | Page 12 |
| *Financial statements* | | |  |
| **Declaration** |  | |  |
| SD 5.2.2 | Declaration in financial statements | | Page 72 |

|  |  |  |  |
| --- | --- | --- | --- |
| Legislation | Requirement | Page reference | |
| *Ministerial Directions & Financial Reporting Directions* | | | |
| **Other requirements under Standing Directions 5.2** | | | |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | | Page 86 |
| SD 5.2.1(a) | Compliance with Ministerial Directions | | Page 72 |
| SD 5.2.1(b) | Compliance with Model Financial Report | | [Entities to determine as appropriate] |
| **Other disclosures as required by FRDs in notes to the financial statements (a)** | | | |
| FRD 9A | Departmental Disclosure of Administered Assets and Liabilities by Activity | | Page 106 |
| FRD 11A | Disclosure of Ex gratia Expenses | | Page 194 |
| FRD 13 | Disclosure of Parliamentary Appropriations | | Page 89 |
| FRD 21C | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | | Page 206 |
| FRD 103F | Non‑Financial Physical Assets | | Page 115 |
| FRD 110A | Cash Flow Statements | | Page 80 |
| FRD 112D | Defined Benefit Superannuation Obligations | | Page 98 |
| Note:  (a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure. | | | |
| *Legislation* | | |  |
| *Freedom of Information Act 1982* | | | Page 52 |
| *Building Act 1993* | | | Page 53 |
| *Protected Disclosure Act 2012* | | | Page 54 |
| *Carers Recognition Act 2012* | | | Page 55 |
| *Victorian Industry Participation Policy Act 2003* | | | Page 46 |
| *Financial Management Act 1994* | | | Page 86 |

Guidance – Disclosure index

FRD 10A

**FRD 10A** requires entities to include a disclosure index in their annual reports that report the following:

* + a list identifying the relevant clauses of Victorian legislation with statutory disclosure requirements that the entity has to comply with;
  + a short description of the relevant requirements; and
  + the page in the annual report where the disclosure for each requirement is made.

The disclosure index is usually presented as the first appendix at the end of the annual report.

| Guidance – Other operating expenses *(continued)* |
| --- |
| When inventories held for distribution by a not-for-profit entity are distributed, the carrying amount of those inventories shall be recognised as an expense. The amount of any write down of inventories for loss of service potential and all losses of inventories shall be recognised as ’other economic flow’ in the period the write down or loss occurs. The amount of any reversal of any write down of inventories arising from a reversal of the circumstances that gave rise to the loss of service potential shall be recognised as a reduction in the amount of inventories recognised as an other economic flow in the period in which the reversal occurs. [AASB 102.Aus 34.1]  The loss of service potential for inventories held for distribution by not-for-profit entities may sometimes be identified through a fall in replacement cost of the inventories, but this is not necessarily always the case, and more relevant bases can be used to identify loss of service potential. For example, obsolescence, which may occur with or without there being a fall in current replacement cost. Obsolescence covers both technical and/or functional obsolescence. It is strongly encouraged that entities use their judgement in determining the most appropriate basis (bases) in assessing any loss in service potential for inventories held for distribution.  Entities should refer to the AASB 102 Inventories paragraphs BC12 BC20 for detailed guidance on assessing loss of service potential. |

# DISAGGREGATED FINANCIAL INFORMATION BY OUTPUT

### Introduction

The Department of Technology (the Department) is predominantly funded by accrual based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs delivered during the year ended 30 June 2017 along with the objectives of those outputs. [AASB 1052.15]

This section disaggregates revenue and income that enables the delivery of services (described in Section 2) by output and records the allocation of expenses incurred (described in Section 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.

### Structure

4.1 Departmental outputs – Descriptions and objectives 102

4.2 Administered items 105

4.3 Restructuring of administrative arrangements 109

Judgement required

Judgement is required in allocating income and expenditure to specific outputs. [Include judgements made in making allocation.] For the period under review there were no amounts unallocated.

Distinction between controlled and administered items

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.

## 4.1 Departmental outputs – Descriptions and objectives

### Strategic policy advice

**Description of output**: Provision of policy advice to the Government on the development, promotion, and support of information and biological technology in the public and private sectors.

**Objectives**: Improved economic performance of the State through the application of leading edge technology and to promote leadership in scientific research and innovation.

Contribution to *[Sustainability Thriving Victoria]* Government outcomes include:

* quality jobs and thriving innovative industries; and
* growing and linking all of Victoria.

### Information technology and telecommunication

**Description of output**: Provision of payroll, accounting and database management service and training to a range of agencies. The Information Technology and Telecommunications (IT&T) division provides services on the application and use of IT&T to other governments on a fee for service basis.

**Objectives**: Efficient and economical operation of government activities to ensure optimal use of resources. Leadership in IT&T promotes Victoria as a centre for excellence in the application of new IT.

Contribution to *[Sustainability Thriving Victoria]* Government outcomes include:

* quality jobs and thriving innovative industries; and
* sound financial management.

### Research and development of biological technology

**Description of output**: Research and development of new biological technology for application in amongst others, the agricultural and health sectors. Commercial development of this new technology is primarily undertaken by Gene Sciences Victoria, a business unit of the Department.

**Objectives**: Improving the quality of life of Victorians through eradicating diseases and enhancing nutrition through higher quality agricultural products. Improved agricultural products are also considered to contribute to the economic growth of the State. Contribution to *[Sustainability Thriving Victoria]* Government outcomes include:

* protecting the environment for future generations; and
* quality jobs and thriving innovative industries.

|  |
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| Guidance – Property, plant and equipment |
| **Classes of assets**: FRD 103F requires property, plant and equipment to be classified primarily by the ‘purpose’ for which the assets are used, according to one of six purpose groups based on government purpose classifications. All assets in a purpose group are further sub-categorised according to the asset’s ‘nature’, with each sub-category being classified as a separate class of asset for financial reporting purposes.  The following **purpose groups** have been adopted:   * public administration; * education; * community housing; * health, welfare and community; * transportation and communications; and * public safety and environment. [FRD 103F. App A]   The following ‘nature’ based sub-classes fall in each of the above purpose groups:   * land (freehold land / Crown land – national and state parks / Crown land other); * buildings; * plant, equipment, vehicles and infrastructure systems; * road, road infrastructures and earthworks; and * cultural assets.   For the purpose of this Model, illustrative disclosure is provided only for ‘public administration’ and ‘public safety and environment’ purpose groups. Departments may refer to FRD 103F for indications on which purpose groups are relevant to them. Other entities are expected to use their own judgement to determine which purpose groups are appropriate for their property, plant and equipment.  **Measurement of non-financial physical assets**  FRD 103F 4.3 requires all non-financial physical assets to be subsequently measured using the revaluation model, except for certain limited circumstances, where prior written approval for certain assets was given by the Minister for Finance to be measured using historical cost. These assets are phasing out or in transition towards the revaluation model.  **Future generation of cash flows**: For assets held by not-for-profit entities where the future economic benefits of an asset are not primarily dependent on the asset’s ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, fair value can be determined using the asset’s depreciated replacement cost. [AASB 136. Aus32.1]  **Revaluations of non-financial physical assets**: Full revaluations shall be made with sufficient regularity to ensure the carrying amount does not differ materially from its fair value. FRD 103F determines the revaluation cycle to occur every five years, and the timetable for each department for revaluation of each class of asset is set out in Appendix A of this FRD. For further guidance on fair value using revaluation model, entities can refer to ‘Guidance on fair value of plant, equipment and vehicles under FRD 103F’ available from:  www.dtf.vic.gov.au/Publications/Government Financial Management publications/Financial reporting policy/ Financial reporting directions and guidance  In a financial year where a full revaluation is not required, entities are still required to conduct fair value assessments to assess whether the asset’s carrying value still materially reflects its fair value. Fair value assessments for land and buildings are determined using separate annual indices for land and buildings supplied by Valuer-General Victoria. Further guidance on this can be found in the guidance note of FRD 103F.  Assets acquired within 12 months of the revaluation date are exempt from revaluation unless evidence exists that the asset’s carrying value does not materially reflect its fair value.  **Treatment of accumulated depreciation on revaluation**: To ensure consistency on a whole of state reporting basis, FRD 103F requires that when non-financial physical assets are revalued, an entity is to account for the accumulated depreciation at the date of the revaluation by eliminating the accumulated depreciation balance against the gross carrying amount of the asset and increasing the net carrying amount to the revalued amount of the asset (net approach). |

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| Guidance – Property, plant and equipment *(continued)* |
| **Depreciation**: To align with whole of government reporting under AASB 1049, the consumption of physical or intangible produced assets by wear or overtime is classified as a transaction depreciation expense. The consumption of intangible non-produced assets is classified as an amortisation expense in the other economic flows.  The depreciation method used shall reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. [AASB 116.60]  Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a prospective basis. [AASB 116.51, 61] |

## 5.2 Investment properties

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| Source reference |  | 2017 | 2016 |
| AASB 140.76 | Balance at beginning of financial year | 5 029 | 5 233 |
| AAASB 140.76(a) | Additions from subsequent expenditure | 282 | 1 838 |
| AASB 140.76(b) | Acquisitions/transfers in of businesses | 1 287 | .. |
| AASB 140.76(c) | Disposals and property held for sale | (1 822) | (998) |
| AASB 140.76(d) | Net gain/(loss) from fair value adjustments | (3 485) | 450 |
| AASB 140.76(f) | Transfers to owner occupied | .. | (1 494) |
| AASB 140.76(f) | Transfers to investment property | 1 063 | .. |
|  | **Balance at end of financial year** | **2 354** | **5 029** |

**Investment properties** represent properties held to earn rentals or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of the Department. Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Department.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the comprehensive operating statement in the period that they arise. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. These properties are neither depreciated nor tested for impairment.   
[AASB 140.20, 140.30, 140.32A, 140.33, 140.75; FRD 107A]

| Guidance – Investment properties |
| --- |
| **Property held to meet service delivery objectives**: In respect of not-for-profit entities, property may be held to meet service delivery objectives rather than to earn rent or for capital appreciation. In such situations the property will not meet the definition of investment property and will be accounted for under AASB 116. For example:  (a) property held for strategic purposes; and  (b) property held to provide a social service, including those which generate cash inflows where the rental income is incidental to the purpose for holding the property. [AASB 140.Aus9.1]  The reason for classifying a property that would otherwise satisfy the definition of investment property as property, plant and equipment must be documented and approved by the entity’s responsible body. [FRD 107A]  **Responsible body** means:  (a) in relation to an agency with a statutory board or equivalent governing body, that board or governing body; and  (b) in relation to an agency without a statutory board or governing body, that agency’s Accountable Officer. [SD1.6]  **Classification**: When classification of investment property is difficult, an entity shall disclose the criteria it uses to distinguish investment property from owner occupied property and from property held for sale in the ordinary course of business. [AASB 140.75(c)] |

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| Guidance – Cash flow balances and information |
| Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in the financial statements in a way that provides all the relevant information about these investing and financing activities. [AASB 107.43]  Although not illustrated here, an entity shall disclose, together with commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity, for example, cash related to trusts under management. [AASB 107.48] |

Financing facilities [AASB 107.50] ($ thousand)

|  | 2017 | 2016 |
| --- | --- | --- |
| **Unsecured bank overdraft facility, reviewed annually and payable at call** |  |  |
| Amount used | .. | 5 437 |
| Amount unused | 10 000 | 4 563 |
| **Total** | **10 000** | **10 000** |
|  |  |  |
| **Unsecured loan facilities with various maturity dates through to 2017‑18  and which may be extended by mutual agreement** |  |  |
| Amount used | 53 814 | 39 724 |
| Amount unused | .. | .. |
| Total | 53 814 | 39 724 |

## 7.4

## 7.4

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

($ thousand)

|  | 2017 | | | | 2016 | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash and cash equivalents and investments | Opening balance as at  1 July 2016 | Total receipts | Total payments | Closing balance as at 30 June 2017 | Opening balance as at  1 July 2015 | Total receipts | Total payments | Closing balance as at  30 June 2016 |
| **Controlled trusts** |  |  |  |  |  |  |  |  |
| [Title of Trust 1]  [include legislative reference and nature and purpose for which Trust 1 was created.] | .. | .. | .. | .. | .. | .. | .. | .. |
| [Title of Trust 2]  [include legislative reference and nature and purpose for which Trust 2 was created.] | .. | .. | .. | .. | .. | .. | .. | .. |
| **Total controlled trusts** | .. | .. | .. | .. | .. | .. | .. | .. |
| **Administered trusts** |  |  |  |  |  |  |  |  |
| [Title of Trust 3]  [include legislative reference and nature and purpose for which Trust 3 was created.] | .. | .. | .. | .. | .. | .. | .. | .. |
| [Title of Trust 4]  [include legislative reference and nature and purpose for which Trust 4 was created.] | .. | .. | .. | .. | .. | .. | .. | .. |
| Total administered trusts | .. | .. | .. | .. | .. | .. | .. | .. |

This table is based on the Auditor General’s recommendation in report Portfolio Departments and Associated Entities: Results of the 2011 – 2012 Audits.

### Third party funds under management

The Department maintains three such trusts: the Biological Disaster Fund; the e‑Technology Fund; and the International Network Association Fund. The biological disaster fund was transferred to the Department from the Department of Natural Resources under the *Administrative Arrangements Order* [*No.xxx*] *2016*.

Any earnings on the funds held pending distribution are also applied to the trust funds under management as appropriate.

### Biological Disaster Fund

The Biological Disaster Fund account is held in trust for the beneficiaries, which include the individuals and communities affected by the 2010 biological disaster. These funds are not controlled for the benefit of the Victorian Government. Accordingly, the fund is not presented as assets or income of the Department.

### Establishment of the Biological Disaster Fund

More than 11 towns and communities were devastated by the biological disaster in May 2010. In June 2009, the Victorian Government approved the establishment of the Biological Disaster Fund under section 19(1) of the *Financial Management Act 1994*.

The purpose of this trust fund is for the receipt of donations and other contributions, and their disbursement to assist individuals and communities in towns and rural areas affected by the biological disaster.

Monies from the fund are distributed to individuals and communities through the Department at the direction of an independent advisory panel. Members of the advisory panel were appointed by the Victorian Government. The advisory panel was required to set rules and criteria for the making of payments from the trust fund. The advisory panel’s responsibilities are to guide, account for and report on the disbursement of monies from the trust fund.

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| Guidance – Third party funds under management *(continued)* |
| **Natural disasters** [PAEC Report 102 Part One recommendation 6]  Departments are required to demonstrate high standards of transparency and accountability when reporting on the effectiveness of how funding allocated to natural disaster relief was managed. It is expected that this note disclosure include the level of funding spent on individuals, state owned assets, businesses and community groups affected as a result of a natural disaster.  **Income and payments from trust funds or funds held outside public account [New]**  Income from trust funds or funds held outside the public account may ultimately be used for a broad range of purposes and may not be readily determinable at the time of receipt and when the income is recognised.  In general, payments out of controlled funds outside the public account are typically for the delivery of outputs or for the acquisition of assets, whereas payments out of administered funds are typically for payments made on behalf of the State. [recommendations 30 and 32, PAEC Report on the 2015-16 Budget Estimate] |

## 7.5 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. [AASB 116.74(c), AASB 117.35(a), AASB 138.122(e), AASB 12.23(a)]

### 7.5.1 Total commitments payable (a)

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Source reference [AASB 117.35(a)] | Nominal amounts 2017 | Less than  1 year | 1 – 5 years | 5+  years | Total |
|  | PPP commitments (See 7.5.2) | 5 600 | 5 190 | 18 036 | 28 826 |
| AASB 116.74(c) | Capital expenditure commitments payable | 4 782 | 74 | .. | 4 856 |
|  | Operating and lease commitments payable (b) | .. | 31 | .. | 31 |
| AASB 138.122(e) | Intangible assets commitments payable | 23 | .. | 20 | 43 |
| AASB 12.23(b), B19(a)(ii) | Share of joint ventures’ capital commitments | .. | 8 | 13 | 21 |
|  | Other commitments payable | 56 | 112 | .. | 168 |
|  | **Total commitments (inclusive of GST)** | **10 461** | **5 415** | **18 069** | **33 945** |
|  | Less GST recoverable |  |  |  | (2 586) |
|  | **Total commitments (exclusive of GST)** |  |  |  | **31 359** |
|  |  |  |  |  |  |
| [AASB 117.35(a)] | *2016* |  |  |  |  |
|  | PPP commitments (7.5.2) | 17 230 | 14 440 | 11 162 | 42 832 |
| AASB 116.74(c) | Capital expenditure commitments payable | 5 812 | 198 | .. | 6 010 |
|  | Operating and lease commitments payable (ii) | 28 | .. | .. | 28 |
| AASB 138.122(e) | Intangible assets commitments payable | 15 | 5 | .. | 20 |
| AASB 12.23(b), B19(a)(ii) | Share of joint ventures’ capital commitments | .. | 8 | 13 | 21 |
|  | Other commitments payable | .. | .. | .. | .. |
|  | **Total commitments (inclusive of GST)** | **23 085** | **4 651** | **11 175** | **48 911** |
|  | Less GST recoverable from the Australian Tax Office |  |  |  | (3 284) |
|  | **Total commitments (exclusive of GST)** |  |  |  | **45 627** |

Notes:

(a) Future finance lease and non-cancellable operating lease payments are recognised on the balance sheet.

(b) Operating lease commitments relate to warehouse facilities with lease terms between three and seven years. These contracts do not allow the Department to purchase the facilities after the lease ends, but the Department can renew the lease for a further three years.

### 7.5.2 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 either PPPs or service concession arrangements (SCAs).

SCAs usually take one of two main forms. In the more common form, 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 a lease payment in accordance with the leases accounting policy. The remaining components are accounted for as commitments for operating costs, which are expensed in the comprehensive operating statement as they are incurred. The other, less common, form of SCA is one in which the Department grants to an operator, for a specified period of time, the right to collect fees from users of the SCA asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes state works, from the Department and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the Department.

There is currently no authoritative accounting guidance applicable to grantors (the Department) on the recognition and measurement of the right of the State to receive assets from such concession arrangements. Due to the lack of such guidance, there has been no change to existing policy and those assets are not currently recognised.

PPPs commitments (a)(b) ($ thousand)

|  |  | 2017 |  |  |  | 2016 |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Minimum  lease payments | Other commitments | Commitments |  | Minimum  lease payments | Other commitments | Commitments |
|  |  |  |  |  |  |  |  |
|  | Discounted value | Present value | Nominal value |  | Discounted value | Present value | Nominal value |
| **Commissioned PPPs (c)(d)** |  |  |  |  |  |  |  |
| IT&T system development (e) |  | 4 605 | 5 334 |  | - | 11 449 | 13 737 |
| Biotech Research Centre (e) |  | 3 069 | 3 556 |  | - | 7 632 | 9 159 |
| **Sub-total** |  | **7 674** | **8 890** |  | **-** | **19 081** | **22 896** |
| **Uncommissioned PPPs (f)(g)(h)(i)(j)** |  |  |  |  |  |  |  |
| IT training schools (i) | 3 329 | 1 569 | 11 901 |  | 3 329 | 1 458 | 11 901 |
| Climate Change Research Centre (k) | 1 685 | 579 | 8 035 |  | 1 685 | 534 | 8 035 |
| **Sub-total** | **-** | **2 148** | **19 936** |  | **-** | **1 992** | **19 936** |
| Total commitments for PPPs |  | 9 822 | 28 826 |  | - | 21 073 | 42 832 |

Notes:

(a) The present values of the minimum lease payments for commissioned PPPs are recognised on the balance sheet (not disclosed as commitments).

(b) The discounted values of the minimum lease payments for uncommissioned PPPs have been discounted to the expected dates of commissioning and the present values of other commitments have been discounted to 30 June of the respective financial years. After adjusting for GST, the discounted values of minimum lease payments reflect the expected impact on the balance sheet when the PPPs are commissioned.

(c) The year on year reduction in the nominal amounts of the other commitments reflects the payments made.

(d) The year on year reduction in the present values of other commitments reflects payments, offset by the impact of one fewer year used for discounting.

(e) The table discloses only other operating and maintenance commitments for the IT&T system project and the Biotech Research Centre project.

(f) The discounted values of the minimum lease payments have not been totalled for the uncommissioned PPPs due to individual PPPs having different expected dates of commissioning.

(g) The year on year increase in the present values of the other commitments for uncommissioned projects is due to one few year used for discounting.

(h) The total commitments will not equal the sum of the minimum lease payments and other commitments because they are discounted, whereas total commitments are at nominal value.

(i) On 16 September 2016, the Department entered into a contract with IT Solutions Ltd to construct and maintain new IT training schools. The contract term is 30 years.

(j) The minimum lease payments of uncommissioned PPPs include the government capital contributions. If the government capital contributions are made upfront, the amount represents the nominal value of the payments that will be made when the project is commissioned.

(k) On 1 March 2017, the Department entered into a contract with Plenary Environment Ltd to construct and maintain a Climate Change Research Centre. The contract term is 15 years.

### 7.5.3 Commitments other than PPPs

($ thousand)

|  | 2017  Nominal value (incl. GST) | 2016  Nominal value (incl. GST) |
| --- | --- | --- |
| Capital expenditure commitments: Plant, equipment and vehicles | 4 856 | 6 010 |
| Intangible asset commitments: Patent | 43 | 20 |
| Share of joint ventures’ capital commitments: Plant, equipment and vehicles | 21 | 21 |
| Operating and lease commitments: Warehouse facilities | 31 | 28 |
| Other commitments: Outsourcing | 168 | - |
| Total commitments other than PPPs | 5 119 | 6 079 |

|  |
| --- |
| Guidance – Ex-gratia expenses *(continued)* |
| For trade receivable write-offs, while the reduction in economic benefits (i.e. receivable) is driven by AASB 136 Impairment of Assets, the entity needs to consider whether there is still an intention to pursue the recovery of the receivables from the customer.  If the entity writes off a trade receivable but still has and intends to keep the legal entitlement to payment for services rendered, a write-off to debtors under such circumstances does not equate to a waiver of the debt. In this instance, trade receivable write-offs would not be considered as ‘ex-gratia’ expenses.  Conversely, if the entity has voluntarily decided to waive the legal entitlement to the payment, it is reasonable to consider this as a ‘benefit’ to the debtor, and therefore such a write-off should be disclosed as ‘ex-gratia’ expenses for reporting purposes under FRD 11A. |

## 9.2 Other economic flows included in net result

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

* the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
* reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or ‘other transfers’ of assets.

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| Source reference |  | 2017 | 2016 |
| AASB 101.97 | **Net gain/(loss) on non‑financial assets** |  |  |
| AASB 136.126(a) | Impairment of property plant and equipment (including intangible assets) | (3 025) | 115 |
|  | Impairment of biological assets | .. | .. |
|  | Amortisation of non‑produced intangible assets (a) | .. | .. |
|  | Write down of inventory | (178) | (19) |
|  | Revaluation of investment property | (3 485) | 450 |
| AASB 101.104 | Net gain arising from changes in fair value less estimated point‑of‑sale costs of biological assets | 1 476 | .. |
| AASB 101.98(a) | Net gain on disposal of property plant and equipment | 171 | 1 019 |
| AASB 141.40 | Net gain on disposal of investment properties | (120) | 240 |
|  | **Total net gain/(loss) on non‑financial assets** | **(5 161)** | **1 805** |
| AASB 101.98(c) | **Net gain/(loss) on financial instruments** |  |  |
| AASB 101.98 (d) | Impairment of: (b) |  |  |
|  | Loans and receivables | (485) | (341) |
|  | Available‑for‑sale financial assets transferred from revaluation surplus | (920) | .. |
| AASB 7.20 (e) | Net FX gain/(loss) arising from foreign cash held | (385) | 105 |
|  | Net FX gain/(loss) arising from financial instruments | (86) | 55 |
|  | Bad debts written off unilaterally | 75 | 50 |
|  | Net gain/(loss) on disposal of financial instruments | .. | .. |
|  | Net gain/(loss) arising from revaluation of financial assets at fair value – market risk | 30 | 321 |
|  | Net gain/(loss) arising from revaluation of financial assets at fair value – credit risk | 35 | 79 |
|  | Interest on government advances | (4 155) | (4 240) |
|  | **Total net gain/(loss) on financial instruments** | **(5 891)** | **(3 971)** |
|  | **Share of net profits/(losses) of associates and joint entities, excluding dividends** |  |  |
|  | Share of net profits/(losses) of associates, excluding dividends | 1 055 | 652 |
|  | Share of net profits/(losses) of joint entities, excluding dividends | 231 | 745 |
|  | **Total share of net profits/(losses) of associates and joint entities, excluding dividends** | **1 286** | **1 397** |
|  | **Other gains/(losses) from other economic flows** |  |  |
|  | Net gain/(loss) arising from revaluation of long service liability (c) | (2 846) | (2 009) |
| AASB 137.60 | Unwinding of other provision | (49) | (39) |
|  | Total other gains/(losses) from other economic flows | (2 895) | (2 047) |

Notes:

(a) This is amortisation of non-produced intangible assets with finite useful lives.

(b) Including increase/(decrease) in provision for doubtful debts and bad debts from other economic flows – refer to Note 6.1.

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

[Please note that revaluation gain/(loss) on the long service leave liability due to the changes in the discount bond rates is included in other economic flows.]