Department for Energy and Mining (DEM)

Financial Statements

For the year ended 30 June 2023

Department for Energy and Mining
Certification of the Financial Statements
for the year ended 30 June 2023

We certify that the:

- financial statements for the Department for Energy and Mining:
  - are in accordance with the accounts and records of the department;
  - comply with relevant Treasurer's Instructions;
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the department at the end of the financial year and the result of its operation and cash flows for the financial year.

- internal controls employed by the Department for Energy and Mining for the financial year over its financial reporting and its preparation of financial statements have been effective.

Paul Heithersay
Chief Executive
14 September 2023

Natalie Johnston
Chief Financial Officer
14 September 2023

Department for Energy and Mining
Statement of Comprehensive Income
for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Income			
Appropriation	2.1	24 712	53 307
SA Government grants, subsidies and transfers	2.2	26 098	55 162
Fees and charges	2.3	32 884	30 343
Sales of goods and services	2.4	5 400	4 720
Interest	2.5	285	907
Commonwealth-sourced grants and funding	2.6	228	400
Resources received free of charge	2.7	507	538
Other income	2.8	4 954	4 081
Recoveries	2.9	3 031	2 914
Net gain from the disposal of non-current assets	2.10	-	5
Total income		**98 099**	**152 377**
Expenses			
Grants and subsidies	4.1	51 699	33 790
Supplies and services	4.2	39 392	37 365
Employee benefits expenses	3.3	42 710	41 944
Depreciation and amortisation	5.1, 5.3	2 815	2 946
Net loss from the disposal of non-current assets	2.10	50	-
Borrowing costs		8	4
Other expenses	4.3	2 936	2 470
Cash alignment transfers to Consolidated Account		43 803	24 867
Total expenses		**183 413**	**143 386**
Net result		**(85 314)**	**8 991**
Total comprehensive result		**(85 314)**	**8 991**

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Financial Position
as at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	6.1	55 709	132 956
Receivables	6.2	4 966	6 879
Other current assets		914	2 548
Total current assets		**61 589**	**142 383**
Non-current assets			
Property, plant and equipment	5.1	56 343	55 032
Intangible assets	5.3	7 446	3 582
Receivables	6.2	-	14 496
Total non-current assets		**63 789**	**73 110**
Total assets		**125 378**	**215 493**
Current liabilities			
Payables	7.1	9 458	7 593
Employee benefits liabilities	3.4	3 802	4 167
Financial liabilities	7.2	150	187
Provisions	7.3	197	182
Security deposits	7.4	24 250	28 430
Other current liabilities	7.5	2 065	3 888
Total current liabilities		**39 922**	**44 447**
Non-current liabilities			
Payables	7.1	780	802
Employee benefits liabilities	3.4	7 831	8 336
Financial liabilities	7.2	269	192
Provisions	7.3	2 797	2 821
Other non-current liabilities	7.5	71	98
Total non-current liabilities		**11 748**	**12 249**
Total liabilities		**51 670**	**56 696**
Net assets		**73 708**	**158 797**
Equity			
Retained earnings		39 504	124 593
Asset revaluation surplus		3 226	3 226
Contributed capital		30 978	30 978
Total equity		**73 708**	**158 797**

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Changes in Equity
for the year ended 30 June 2023

	Note	Retained earnings $'000	Asset revaluation surplus $'000	Contributed capital $'000	Total equity $'000
Balance as at 1 July 2021		**115 602**	**3 226**	**30 978**	**149 806**
Net result for 2021-22		**8 991**	**-**	**-**	**8 991**
Total comprehensive result 2021-22		**8 991**	**-**	**-**	**8 991**
Balance as at 30 June 2022		**124 593**	**3 226**	**30 978**	**158 797**
Net result for 2022-23		**(85 314)**	**-**	**-**	**(85 314)**
Total comprehensive result 2022-23		**(85 314)**	**-**	**-**	**(85 314)**
Net assets transferred by proclamation	1.3	225	-	-	225
Balance as at 30 June 2023		**39 504**	**3 226**	**30 978**	**73 708**

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Cash Flows
for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Cash inflows			
Appropriation		24 712	53 307
SA Government grants, subsidies and transfers		26 098	55 162
Fees and charges		31 264	28 985
Commonwealth-sourced grants and funding		228	400
Sales of goods and services		5 538	4 767
Loan receivable repaid		17 779	-
Interest		361	907
Net GST recovered from ATO		6 575	1 703
Receipts of security deposits		3 802	9 665
Net receipts from paid parental leave scheme		16	25
Other receipts		7 098	50 970
Cash generated from operations		**123 471**	**205 891**
Cash outflows			
Employee benefits expenses		(43 424)	(45 071)
Supplies and services		(43 641)	(42 672)
Refunds of security deposits		(7 982)	(135)
Grants and subsidies		(53 149)	(35 849)
Payments for paid parental leave scheme		(16)	(28)
Cash alignment transfers to Consolidated Account		(43 803)	(24 867)
Other payments		(829)	(834)
Cash used in operations		**(192 844)**	**(149 456)**
Net cash (used) / provided by operating activities	8.2	**(69 373)**	**56 435**
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of property, plant and equipment and other assets		285	14
Cash generated from investing activities		**285**	**14**
Cash outflows			
Purchase of property, plant and equipment		(7 938)	(7 532)
Cash used in investing activities		**(7 938)**	**(7 532)**
Net cash used in investing activities		**(7 653)**	**(7 518)**
Cash flows from financing activities			
Cash outflows			
Repayment of principal portion of lease liabilities		(221)	(256)
Cash used in financing activities		**(221)**	**(256)**
Net cash used in financing activities		**(221)**	**(256)**
Net (decrease) / increase in cash and cash equivalents		**(77 247)**	**48 661**
Cash at the beginning of the period		132 956	84 295
Cash at the end of the period	6.1	**55 709**	**132 956**

1. About the Department for Energy and Mining

The Department for Energy and Mining (the department) is a not-for-profit government department of the State of South Australia established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

The department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all of the controlled activities of the department.

Administered items

The department has administered activities and resources. Administered financial statements relating to administered resources are presented separately as the final part of this report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the department's transactions.

Attached office

The Office of Hydrogen Power South Australia (OHPSA) was established as an attached office of the Department for Energy and Mining by proclamation on 19 May 2022.

As OHPSA is not controlled by the Department for Energy and Mining, its operations do not form part of these financial statements. However, the flow through of government funding to OHPSA is reflected in the intra-government revenues and expenses of the department.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987;* and
- relevant Australian Accounting Standards.

No Australian Accounting Standards have been early adopted other than AASB 2021-1, which was adopted from 1 July 2021. The financial statements have been prepared based on a 12-month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000). The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out throughout the notes.

The department is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

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

1.2. Objectives and programs

The department was established on 1 July 2018 to deliver affordable, reliable and secure energy supplies in a transitioning national energy market, and to responsibly unlock the value and opportunities offered by South Australia's mineral and energy resources.

The department also delivers effective, efficient and transparent regulation for the energy and resources sectors while fostering responsible access and development of the State's mineral and energy endowment to support jobs growth and increased exports.

The department provides leadership in national energy market reforms that integrate energy and climate change policy in national frameworks for mineral and energy resources. The department supports South Australia's role as lead legislator for national energy regulation pursuant to the Australian Energy Market Agreement.

Programs

The department has identified two broad programs that reflect the nature of the services provided to the South Australian community.

Mineral Resources and Energy

The purpose of this program is to responsibly regulate, manage and support the development of South Australia's mineral, extractive materials, petroleum and renewable energy assets, and to provide policy development, advocacy and advice to continually improve productivity, efficiency and environmental responsibility across the resources and energy sectors.

The program also supports the enforcement, compliance and promotion of technical and safety regulation of electrical and gas fitting equipment, and electrical and gas fitting industry entities, to ensure low levels of accidents and failures.

Water Industry Technical and Safety Regulation

The purpose of this program is to support the enforcement, compliance and promotion of technical and safety regulation of plumbing equipment and water industry entities to ensure low levels of accidents and failures.

The tables on the following pages present income, expenses, assets and liabilities attributable to each program.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2023

1.2. Objectives and programs (continued)

Income and expenses by program

	Mineral Resources and Energy		Water Industry Technical and Safety Regulation		General / Not attributable		Activity Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Income								
Appropriation	-	-	-	-	24 712	53 307	24 712	53 307
SA Government grants, subsidies and transfers	22 596	51 723	3 502	3 439	-	-	26 098	55 162
Fees and charges	32 884	30 343	-	-	-	-	32 884	30 343
Sales of goods and services	5 400	4 720	-	-	-	-	5 400	4 720
Interest	285	907	-	-	-	-	285	907
Commonwealth-sourced grants and funding	228	400	-	-	-	-	228	400
Resources received free of charge	480	510	27	28	-	-	507	538
Other income	4 954	4 078	-	3	-	-	4 954	4 081
Recoveries	3 026	2 863	5	51	-	-	3 031	2 914
Net gain from the disposal of non-current assets	-	5	-	-	-	-	-	5
Total income	**69 853**	**95 549**	**3 534**	**3 521**	**24 712**	**53 307**	**98 099**	**152 377**
Expenses								
Grants and subsidies	51 041	33 770	658	20	-	-	51 699	33 790
Supplies and services	38 490	36 586	902	779	-	-	39 392	37 365
Employee benefits expenses	40 395	39 700	2 315	2 244	-	-	42 710	41 944
Depreciation and amortisation	2 653	2 645	162	301	-	-	2 815	2 946
Net loss from the disposal of non-current assets	50	-	-	-	-	-	50	-
Borrowing costs	7	4	1	-	-	-	8	4
Other expenses	2 911	2 444	25	26	-	-	2 936	2 470
Cash alignment transfers to Consolidated Account	-	-	-	-	43 803	24 867	43 803	24 867
Total expenses	**135 547**	**115 149**	**4 063**	**3 370**	**43 803**	**24 867**	**183 413**	**143 386**
Net result	**(65 694)**	**(19 600)**	**(529)**	**151**	**(19 091)**	**28 440**	**(85 314)**	**8 991**

1.2. Objectives and programs (continued)

Assets and liabilities by program

	Mineral Resources and Energy		Water Industry Technical and Safety Regulation		Activity Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash and cash equivalents	54 087	129 319	1 622	3 637	55 709	132 956
Receivables	4 727	20 618	239	757	4 966	21 375
Other current assets	914	2 548	-	-	914	2 548
Property, plant and equipment	53 101	48 853	3 242	6 179	56 343	55 032
Intangible assets	7 017	3 176	429	406	7 446	3 582
Total assets	**119 846**	**204 514**	**5 532**	**10 979**	**125 378**	**215 493**
Liabilities						
Payables	9 940	8 156	298	239	10 238	8 395
Employee benefits liabilities	11 002	11 824	631	679	11 633	12 503
Financial liabilities	409	371	10	8	419	379
Provisions	2 832	2 805	162	198	2 994	3 003
Security deposits	24 250	28 430	-	-	24 250	28 430
Other liabilities	2 074	3 875	62	111	2 136	3 986
Total liabilities	**50 507**	**55 461**	**1 163**	**1 235**	**51 670**	**56 696**

1.3. Changes to the Department

Transferred out 2022-23

The *Public Sector (Reorganisation of Public Sector Operations – Department for Energy and Mining) Notice 2023* (dated 2 March 2023) proclaimed that, effective from 1 March 2023, three employees will be transferred from the Department for Energy and Mining to the Office of Hydrogen Power South Australia in relation to the Hydrogen Program Industry Development team.

The following liabilities were transferred to the Office of Hydrogen Power South Australia:

	$'000
Current liabilities	
Payables	16
Employee benefits liabilities	98
Total current liabilities	**114**
Non-current liabilities	
Payables	15
Employee benefits liabilities	96
Total non-current liabilities	**111**
Total liabilities	**225**
Total net assets transferred out	**(225)**

Net assets transferred by the department as a result of the administrative restructure were recognised at the carrying amount. The net assets transferred were treated as a contribution by the government as owner.

1.4. Budget performance

The budget performance table compares the department's outcomes against budget information presented to Parliament (2022-23 Budget Paper 4). Appropriation reflects appropriation issued to special deposit accounts controlled by the department. The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Statement Note	Note	Original budget 2023 $'000	Actual 2023 $'000	Variance $'000
Statement of Comprehensive Income					
Income					
Appropriation	2.1	(a)	103 713	24 712	(79 001)
SA Government grants, subsidies and transfers	2.2		24 260	26 098	1 838
Fees and charges	2.3		28 236	32 884	4 648
Sales of goods and services	2.4		4 795	5 400	605
Interest	2.5		1 093	285	(808)
Commonwealth-sourced grants and funding	2.6		-	228	228
Resources received free of charge	2.7		-	507	507
Other income	2.8		5 389	4 954	(435)
Recoveries	2.9		-	3 031	3 031
Total income			**167 486**	**98 099**	**(69 387)**
Expenses					
Grants and subsidies	4.1		51 778	51 699	(79)
Supplies and services	4.2		35 311	39 392	4 081
Employee benefits expenses	3.3		41 201	42 710	1 509
Depreciation and amortisation	5.1, 5.3		4 265	2 815	(1 450)
Net loss from the disposal of non-current assets	2.10		-	50	50
Borrowing costs			11	8	(3)
Other expenses	4.3		2 009	2 936	927
Cash alignment transfers to Consolidated Account		(b)	-	43 803	43 803
Total expenses			**134 575**	**183 413**	**48 838**
Net result			**32 911**	**(85 314)**	**(118 225)**

	Note	Original budget 2023 $'000	Actual 2023 $'000	Variance $'000
Investing Expenditure Summary				
Total new projects	(c)	6 246	2 139	(4 107)
Total existing projects	(d)	667	3 272	2 605
Total annual programs	(e)	2 134	2 667	533
Total investing expenditure		**9 047**	**8 078**	**(969)**

1.4. Budget performance (continued)

Explanations are provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses, or where the department consider that provision of a variation explanation assists with interpretation and understanding of the financial statements.

Income

(a) Appropriation is $79 million below original budget primarily due to the Department of Treasury and Finance approving the department to access surplus cash in lieu of appropriation funding ($26.9 million) and the reprofiling of the Office of Hydrogen Power South Australia's capital budget for Hydrogen Jobs Plan ($50.0 million).

Expenditure

(b) Cash alignment transfers to Consolidated Account reflect repayment to the Consolidated Account of excess funds.

Investing Expenditure

(c) New projects are $4.1 million below original budget primarily due to timing changes in the Mining and Exploration Regulation System (MERS) program ($3.1 million).
(d) Existing projects are $2.6 million above original budget primarily due to timing changes in the Modern Resources Customer System Transformation ($2.0 million) and Renewable Integration and Central Power House Upgrade programs ($1.0 million).
(e) Annual programs are $0.5 million above original budget primarily due to Remote Area Energy Supply (RAES) Power Generation and Distribution Equipment ($0.6 million).

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- approximately 95 per cent of accommodation services are supplied by the Department for Infrastructure and Transport (DIT);
- 100 per cent of lease payments relate to vehicles supplied by the South Australian Government Financing Authority (SAFA); and
- approximately 41% of grants and subsidies are paid to other SA Government entities, mainly related to the transfer of funding to the Office of Hydrogen Power South Australia.

2. Income

2.1. Appropriation

Appropriations are recognised on receipt.

Appropriation pursuant to the Appropriation Act consists of $24.7 million (2022: $53.3 million) for operational funding. This appropriation comprises money issued and applied to the department as per Schedule 1 of the Act. The movement in appropriation between 2021-22 and 2022-23 primarily reflects the Department of Treasury and Finance approving the department to access surplus cash of $26.9 million during 2022-23 in lieu of appropriation funding.

2.2. SA Government grants, subsidies and transfers

	2023 $'000	2022 $'000
Industry licence fee allocation	12 850	11 725
Green Industry Fund	9 594	20 759
Other intra-government transfers	2 170	1 214
Recovery from the Department of Treasury and Finance for TVSPs	1 484	-
Jobs and Economic Growth Fund	-	21 464
Total SA Government grants, subsidies and transfers	**26 098**	**55 162**

SA Government grants, subsidies and transfers are recognised as income on receipt.

The industry licence fee allocation is the department's funding from licence fees on electricity and gas industry bodies in South Australia. Fees are determined by the Minister for Energy and Mining and are levied by the Essential Services Commission of South Australia.

The Green Industry Fund contributes towards the department’s climate change initiatives including the Home Battery Scheme and the Grid Scale Storage Fund.

Funding from the Jobs and Economic Growth Fund was reclassified from intra-government transfer to appropriation during 2023.

2.3. Fees and charges

	2023	2022
	$'000	$'000
Mining and petroleum licence fees	30 845	28 610
Mining and petroleum non-licence fees	2 039	1 733
Total fees and charges	**32 884**	**30 343**

All revenue from fees and charges is revenue recognised from contracts with customers.

The department is responsible for the administration of licenses and other fees under the *Petroleum and Geothermal Energy Act 2000, Mining Act 1971* and *Opal Mining Act 1995*.

Mining and petroleum licence fees

The department collects mining, petroleum and opal licence fees annually. Even though licences are generally issued for periods greater than one year, all licences are classified as short term in recognition of their non-cancellable and non-amendable period. Fee revenue is recognised at a single point in time when the licence is granted, or on its anniversary date in future annual periods where the licence has not been cancelled, suspended or amended.

Mining and petroleum non-licence fees

The department also collects regulatory fees for licence applications, advertising notices, search fees and other administration fees. Revenue is recognised at the time of receipt of payment.

Contract balances

	2023	2022
	$'000	$'000
Receivables from contracts with customers, included in 'Receivables'	2 221	1 787
Contract liabilities	(1 793)	(3 861)
Total contract balances	**428**	**(2 074)**

Revenue totalling $2.2 million was recognised in 2022-23 that was included in contract liabilities at 1 July 2022. No revenue related to adjustments to prices for performance obligations satisfied or partially satisfied in prior periods.

Contract liabilities primarily relate to payments of annual rent and regulatory licence fees at the renewal of a mining tenement or subsequent exploration licence. Once a renewal decision has been made and a memorandum has been instrumented in the Mining Register, the payment is then recognised as revenue. Annual rent for mining leases, retention leases and miscellaneous purpose licences which are granted or renewed over freehold land is disbursed to eligible freehold landowners upon receipt of payment.

Contract liabilities have substantially decreased due to the renewal of nine significant mining tenements in 2022-23 that carried over from 2021-22.

2.4. Sales of goods and services

Revenue from the sale of electricity $5.4 million (2022: $4.7 million) is revenue recognised from contracts with customers.

The department receives revenue from the sale of electricity in remote areas. Fees are set annually by the Minister based on average on-grid electricity prices. All billing activities are conducted by an external service provider on behalf of the department, with all funds collected passed directly on to the department.

In the comparative period, revenue from sales of electricity was also recognised as billed (in arrears).

Contract balances

	2023 $'000	2022 $'000
Receivables from contracts with customers, included in 'Receivables'	472	578
Total contract balances	**472**	**578**

There is an unconditional right to receive payment for sales of electricity when billed. No contract assets or liabilities are recognised.

2.5. Interest

Interest revenues $0.3 million (2022: $0.9 million) relate to loans provided through the Renewable Technology Fund which began in December 2018.

2.6. Commonwealth-sourced grants and funding

	2023 $'000	2022 $'000
Grants		
Community Batteries for Household Solar	175	-
Greenhouse and Energy Minimum Standards (GEMS) Inspections	53	5
Hydrogen Training for Emergency Responders	-	350
Alternative Regulatory Instruments Review	-	45
Total Commonwealth-sourced grants and funding	**228**	**400**

Commonwealth-sourced grants and funding are recognised in accordance with AASB 1058 as income on receipt.

Obligations under Commonwealth-sourced grants and funding are required to be met by the State of South Australia. The obligations under the funding arrangements rest with the department as all funding was received directly from the Commonwealth by the department, with the department representing the State of South Australia's obligations under the grant for accounting purposes.

The Commonwealth has provided funding to the State in 2022-23 for the following purposes:

- Community Batteries for Household Solar - Delivery of Election Commitments Stream 1 to deliver community batteries at 56 locations selected by the Government.
- GEMS Inspections - to carry out compliance monitoring activities in relation to the *Greenhouse and Energy Minimum Standards Act 2012* and *Building Energy Efficiency Disclosure Act 2010*.

2.7. Resources received free of charge

	2023 $'000	2022 $'000
Services received free of charge - Shared Services SA	389	369
ICT services and media monitoring received free of charge - DPC	118	169
Total resources received free of charge	**507**	**538**

Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

The department receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge valued at $0.4 million and ICT services from the ICT and Digital Government and Media Monitoring areas in the Department of the Premier and Cabinet valued at $0.1 million.

2.8. Other income

	2023 $'000	2022 $'000
Fuel tax credits	1 783	1 956
Support for the regulation of Extractive Mining Operations	1 644	1 605
Other income	1 527	520
Total other income	**4 954**	**4 081**

Fuel tax credits and support for the regulation of extractive mining operations are recognised as income on receipt.

2.9. Recoveries

	2023 $'000	2022 $'000
Other	1 609	1 688
Emergency generation	1 422	1 226
Total recoveries	**3 031**	**2 914**

Recoveries are revenue recognised from contracts with customers. Revenue is recognised at the time of receipt or upon recognition of a receivable.

2.10. Net (loss) / gain from the disposal of non-current assets

	2023 $'000	2022 $'000
Plant and equipment and other non-current assets		
Net proceeds from disposal	285	14
Less net book value of assets disposed	(335)	(9)
Total (loss) / gain from the disposal of non-current assets	**(50)**	**5**

3. Committees and employees

3.1. Key management personnel

Key management personnel of the department include the Minister for Energy and Mining (the Minister), Chief Executive and five members of the Executive Team.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*. Disclosures of the Minister's remuneration paid and recovered from the Consolidated Account are contained in the Administered financial statements section of this report.

	2023	2022
Compensation	**$'000**	**$'000**
Salaries and other short term employee benefits	1 634	1 583
Post-employment benefits	250	229
Total compensation	**1 884**	**1 812**

Transactions with key management personnel and other related parties

The department did not enter into any transaction with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

3.2. Committee members

Members during the 2023 financial year were:

Minerals and Energy Advisory Council #

P Carr (Chair) (expired December 2022)
D Maxwell ^ (expired December 2022)
B Barnes (expired December 2022)
K Hulmes ^ (expired December 2022)
K Keates (expired December 2022)
K Reznikov (expired December 2022)
J Brunton (expired December 2022)
I Grant (expired December 2022)
H Kim (expired December 2022)
K Salisbury (expired December 2022)
S Masters ^ (expired December 2022)
S Thuraisingham (expired December 2022)
C Stevens (expired December 2022)
D Swift (expired December 2022)
S Emms (expired December 2022)

Audit and Risk Committee

K Presser (Chair – appointed May 2023)
T Brumfield* (appointed May 2023)
J Chapman (appointed May 2023)
J Cirson* (appointed May 2023)
S Moules* (appointed May 2023)

Risk and Performance Committee ∆

C Dunsford (Chair) (expired December 2022)
S Adlaf* (expired December 2022)
P Chau* (expired December 2022)
J Cirson*(expired December 2022)
D Contala (expired December 2022)
R Hindmarsh* (expired December 2022)

Power Line Environment Committee

S Murray (Chair – appointed May 2023)
K Steinle (expired March 2023)
A Burnell* (resigned May 2023)
C Donovan
C Dunn (appointed July 2022)
A Stanford* (appointed December 2022)
T Xavier* (appointed August 2022)
M Lee (resigned March 2023)
P Khoury (expired March 2023)
K Galpin

* In accordance with Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during the financial year.

^ Indicates a member that is entitled to remuneration but has elected not to receive payment.

\# The tenure of all existing members of the Minerals and Energy Advisory Council expired in December 2022 and a decision was made to suspend meetings in its current format to explore other forum options.

∆ The Risk and Performance Committee was shared with the Department for Trade and Investment (DTI) and the Department for Industry, Innovation and Science (DIIS). The Committee was remunerated by DIIS and costs were recovered through a service level agreement (refer note 4.2). The Committee was disbanded in December 2022 and replaced with the Audit and Risk Committee.

The Audit and Risk Committee is shared with the Office of Hydrogen Power South Australia. The committee is remunerated by the department and costs are recovered through a service level agreement with the Office of Hydrogen Power South Australia.

Payments to committee members include the Chair of the Penrice Community Consultative Committee who is appointed by the Minister for Energy and Mining. This is not an SA Government Committee. The department is reimbursed for these fees as a recovery (note 2.9).

3.2 Committee members (continued)

Committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2023	2022
$0 - $19 999	34	30
Total number of members	**34**	**30**

The total remuneration received or receivable by members was $16 000 (2022: $7 000). Of the 34 members, seven were remunerated (2022: 7). Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

3.3. Employee benefits expenses

	Note	2023 $'000	2022 $'000
Salaries and wages		31 390	33 443
Employment on-costs – superannuation		3 925	3 888
Annual leave		2 861	3 053
Employment on-costs – other		1 989	2 011
Targeted voluntary separation packages		1 469	-
Long service leave		761	28
Skills and experience retention leave		212	206
Workers' compensation		88	(691)
Committee fees - excluding on-costs	3.2	15	6
Total employee benefits expenses		**42 710**	**41 944**

Departmental employees are employed under Part 7 of the *Public Sector Act*.

The superannuation employment on-cost charge represents the department’s contributions to superannuation plans in respect of current services of current employees.

3.3 Employee benefits expenses (continued)

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

	2023 Number	2022 Number
$157 001 to $160 000*	n/a	1
$160 001 to $180 000	6	9
$180 001 to $200 000	4	6
$200 001 to $220 000	5	8
$220 001 to $240 000	5	4
$240 001 to $260 000	1	1
$260 001 to $280 000 ^	3	2
$280 001 to $300 000	4	2
$300 001 to $320 000 ^	1	-
$340 001 to $360 000	1	-
$360 001 to $380 000	-	1
$380 001 to $400 000	-	1
$400 001 to $420 000	1	-
$420 001 to $440 000	-	1
Total	**31**	**36**

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2021-22.

^ This band includes employees that have received termination payments in 2022-23.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and any related fringe benefits tax.

The total remuneration received by those employees for the year was $7.2 million (2022: $8.0 million).

Targeted voluntary separation packages (TVSPs)

There were 15 TVSPs during the reporting period (2022: nil).

Workforce Rejuvenation Scheme

No employees received a Rejuvenation Payment during the reporting period (2022: 9).

	2023 $'000	2022 $'000
Amount paid to separated employees:		
Targeted voluntary separation packages	1 484	-
Leave paid to separated employees	686	227
Workforce Rejuvenation Scheme payments	-	388
Recovery from the Department of Treasury and Finance	(1 484)	-
Net cost to the department	**686**	**615**

3.4. Employee benefits liability

	2023 $'000	2022 $'000
Current		
Annual leave	3 194	3 385
Long service leave	339	411
Skills and experience retention leave	259	282
Accrued salaries and wages	10	89
Total current employee benefits	**3 802**	**4 167**
Non-current		
Long service leave	7 831	8 336
Total non-current employee benefits	**7 831**	**8 336**
Total employee benefits liability	**11 633**	**12 503**

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Non-current employee benefits are measured at present value and current employee benefits are measured at their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The salary inflation rate for annual leave and skills, experience and retention leave liability has increased from 1.5% (2022) to 2.0% (2023).

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2022 (3.5%) to 2023 (4%)

3.4 Employee benefits liability (continued)

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

Following the actuarial assessment performed by the Department of Treasury and Finance, the salary inflation rate has increased from 2022 (2.5%) to 2023 (3.5%) for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability and employee benefits expense of $0.2 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

4 Expenses

4.1. Grants and subsidies

	2023 $'000	2022 $'000
Office of Hydrogen Power South Australia	12 024	113
Jobs and Economic Growth Fund Projects	10 916	5 132
Remote Area Energy Supply Scheme	7 413	4 476
Grid Scale Storage Fund	5 230	4 000
Home Battery Scheme	4 623	10 035
Other grants and subsidies	4 161	3 979
Port Pirie Transformation	3 000	-
Australian Energy Market Commission	2 919	2 367
Demand Management	854	2 110
Renewable Technology Fund	517	1 284
Energy Productivity Program	42	259
Bird Lake	-	35
Total grants and subsidies	**51 699**	**33 790**

4.2. Supplies and services

	2023 $'000	2022 $'000
Contractors [a]	8 233	8 478
Energy supply fuel and lubricants	7 931	8 334
Emergency generation and storage [b]	4 433	5 363
Office administration expenses	3 648	1 857
Accommodation	3 609	3 301
Service level agreements [c]	3 250	3 436
Consultants	2 346	1 111
Information technology and communication charges [d]	1 719	1 600
Travel and related expenses	1 322	791
Staff related expenses	1 103	911
Remote areas energy supplies plant and equipment	662	607
Service recoveries	562	475
Marketing	428	943
Accounting and audit fees [e]	146	158
Total supplies and services	**39 392**	**37 365**

(a) Contractors include major service contract payments to Cowell Electricity Supply Pty Ltd to manage electricity infrastructure in the Remote Areas Energy Supply communities.

(b) Emergency generation and storage represents payments for operation of the State's emergency generators and the Hornsdale Power Reserve lithium-ion battery.

(c) Service level agreements largely represents payments made to the Department for Industry, Innovation and Science (DIIS) and the Department of Primary Industries and Regions South Australia (PIRSA) for the provision of corporate support and information communication technology support under service level agreements.

4.2 Supplies and services (continued)

(d) Resources provided free of charge by the Department of the Premier and Cabinet ICT and Digital Government unit were $0.1 million (2022: $0.2 million) and were expensed at fair value (refer to note 2.7).

(e) Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were $0.1 million (2022: $0.1 million). No other services were provided by the Auditor-General's Department.

Accommodation

Most of the department's accommodation is provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangements issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of leases and are expensed accordingly. Information about accommodation incentives relating to this arrangement is shown at note 7.5.

4.3. Other expenses

	2023 $'000	2022 $'000
Donated current assets	1 635	1 095
Department for Environment and Water levy	856	834
Shared Services fee	389	369
Other expenses	50	339
Bad and doubtful debts	17	(140)
Donated plant and equipment	16	-
Accommodation incentive amortisation	(27)	(27)
Total other expenses	**2 936**	**2 470**

Donated current assets are transfers of batteries under the Energy Storage Acquisition and Deployment project deploying energy storage on agency properties and bushfire affected households. This relates to transfers predominantly to the Country Fire Service, South Australia Police Department and South Australian Housing Authority.

5. Non-financial assets

Property, plant and equipment comprises tangible assets owned and right-of-use (leased) assets. The assets presented below do not meet the definition of investment property.

5.1. Property, plant and equipment owned by the department

Property, plant and equipment with a value equal to, or in excess of, $10 000 is capitalised, otherwise it is expensed with the exception of works of art. Works of art are capitalised irrespective of their value. Property, plant and equipment owned by the department is recorded at fair value. Details about the department's approach to fair value is set out in note 10.1.

Plant and equipment includes $4.1 million of fully depreciated plant and equipment still in use.

Impairment

Revaluation of property, plant and equipment is reviewed regularly and revalued if at any time management considers that the carrying amount of an asset materially differs from its fair value.

Depreciation

All non-current assets not held for sale with a limited useful life are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

Class of asset	**Useful life (years)**
Buildings	25-65
Accommodation improvements	Life of lease
Plant and equipment	1-60

5.1. Property, plant and equipment owned by the department (continued)

Reconciliation of property, plant and equipment owned or leased by the department

The following table shows the movement of property, plant and equipment owned or leased by the department during 2022-23:

	Plant and equipment	Building and accommodation improvements	Land	Works of art	Capital works in progress	ROU vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2022	10 437	27 994	7 208	70	8 947	376	55 032
Additions	1 473	1	-	-	2 340	262	4 076
Capitalisation	10 570	-	-	-	(10 570)	-	-
Disposals	(335)	-	-	-	-	-	(335)
Donated assets	-	-	-	(16)	-	-	(16)
Depreciation	(1 242)	(949)	-	-	-	(223)	(2 414)
Carrying amount as at 30 June 2023	**20 903**	**27 046**	**7 208**	**54**	**717**	**415**	**56 343**
Gross carrying amount							
Gross carrying amount	31 082	30 191	7 208	54	717	728	69 980
Accumulated depreciation	(10 179)	(3 145)	-	-	-	(313)	(13 637)
Carrying amount as at 30 June 2023	**20 903**	**27 046**	**7 208**	**54**	**717**	**415**	**56 343**

The following table shows the movement of property, plant and equipment owned or leased by the department during 2021-22:

	Plant and equipment	Building and accommodation improvements	Land	Works of art	Capital works in progress	ROU vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2021	9 199	28 942	7 209	70	6 202	394	52 016
Additions	988	1	-	-	4 192	241	5 422
Capitalisation	1 447	-	-	-	(1 447)	-	-
Disposals	(9)	-	-	-	-	(1)	(10)
Asset derecognition	-	-	(1)	-	-	-	(1)
Depreciation	(1 188)	(949)	-	-	-	(258)	(2 395)
Carrying amount as at 30 June 2022	**10 437**	**27 994**	**7 208**	**70**	**8 947**	**376**	**55 032**
Gross carrying amount							
Gross carrying amount	19 432	30 190	7 208	70	8 947	857	66 704
Accumulated depreciation	(8 995)	(2 196)	-	-	-	(481)	(11 672)
Carrying amount as at 30 June 2022	**10 437**	**27 994**	**7 208**	**70**	**8 947**	**376**	**55 032**

5.2. Property, plant and equipment leased by the department

Right-of-use (ROU) assets for property, plant and equipment leased by the department as lessee are measured at cost and there was no indication of impairment.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than $15 000, are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed under travel and related expenses in note 4.2.

The department has a limited number of leases:

- As at 30 June 2023, the department has 46 motor vehicle leases with the South Australian Government Financing Authority. Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from three years (60 000km) up to five years (100 000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed on the Statement of Financial Position. The department's maturity analysis of its lease liabilities is disclosed in note 7.2. Expenses related to right-of use assets, including interest and depreciation expenses, are disclosed on the Statement of Comprehensive Income. Cash outflows related to right-of-use assets are disclosed in note 8.2.

Depreciation on right-of-use vehicles is calculated on a straight-line basis over the life of the lease.

5.3. Intangible assets

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to $10 000.

Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life (3-10 years).

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2022-23:

	Intangibles software	Intangibles work in progress	Total
	$'000	**$'000**	**$'000**
Carrying amount as at 1 July 2022	793	2 789	3 582
Additions	-	4 265	4 265
Amortisation	(401)	-	(401)
Carrying amount as at 30 June 2023	**392**	**7 054**	**7 446**
Gross carrying amount			
Gross carrying amount	5 075	7 054	12 129
Accumulated amortisation	(4 683)	-	(4 683)
Carrying amount as at 30 June 2023	**392**	**7 054**	**7 446**

The following table shows the movement of intangible assets during 2021-22:

	Intangibles software	Intangibles work in progress	Total
	$'000	**$'000**	**$'000**
Carrying amount as at 1 July 2021	1 344	900	2 244
Additions	-	1 889	1 889
Amortisation	(551)	-	(551)
Carrying amount as at 30 June 2022	**793**	**2 789**	**3 582**
Gross carrying amount			
Gross carrying amount	5 075	2 789	7 864
Accumulated amortisation	(4 282)	-	(4 282)
Carrying amount as at 30 June 2022	**793**	**2 789**	**3 582**

6. Financial assets

6.1. Cash and cash equivalents

	2023 $'000	2022 $'000
Deposits with the Treasurer	52 051	125 095
Deposits with the Treasurer – Accrual Appropriation	3 658	7 861
Total cash and cash equivalents	**55 709**	**132 956**

Cash is measured at nominal amounts.

Although the department controls the money reported above in the Accrual Appropriation Excess Funds account, its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

6.2. Receivables

	2023	2022
Current	**$'000**	**$'000**
Trade receivables		
From non-government entities	2 501	2 357
From government entities	371	909
Allowance for doubtful debts	(170)	(200)
Total trade receivables	**2 702**	**3 066**
GST input tax recoverable	1 252	698
Prepayments	451	528
Accrued revenue	543	687
Other receivables	18	23
Loans granted	-	1 801
Accrued interest	-	76
Total other current receivables	**2 264**	**3 813**
Total current receivables	**4 966**	**6 879**
Non-current		
Loans granted	-	14 496
Total non-current receivables	**-**	**14 496**
Total receivables	**4 966**	**21 375**

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement.

Other than as recognised in the allowance for impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

6.2. Receivables (continued)

The net amount of GST recoverable from the ATO is included as part of receivables, consistent with 2022.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Allowance for impairment loss on receivables

	2023 $'000	2022 $'000
Carrying amount as at 1 July 2022	**(200)**	**(340)**
Decrease in the allowance	30	140
Carrying amount as at 30 June 2023	**(170)**	**(200)**

Impairment losses relate to contracts with customers external to SA Government. No impairment loss was recognised in relation to statutory receivables.

Refer to note 10.2 for details regarding credit risk and the methodology for determining impairment.

Loans

Loans with below-market interest (concessionary) are loans provided by the department into emerging industries to encourage innovation and growth.

The department held a concessionary loan with the objective of collecting the contractual cash flows and the contractual cash flow to be paid represents payment of principal (being the initial fair value of the loan) and interest (being interest accrued using the effective interest rate method). The loan is measured at amortised cost.

The initial fair value of the loan is measured at the present value of future cash receipts discounted at an appropriate market rate of interest for a similar loan (including borrowers credit risk, security, term, amount) at the date of initial recognition.

The difference between the fair value of the loan on initial recognition and the transaction price is recognised as an asset on the Statement of Financial Position and amortised over the life of the loan.

The decrease in current and non-current loans granted is due to early payout of the Virtual Power Plant concessional loan ($16.3 million).

Financial Instruments

Financial instrument receivables, at amortised cost, are $1.0 million (2022: $18.4 million).

In government, certain rights to receive cash may not be contractual, but have their source in legislation, therefore the disclosure requirements of AASB 7 *Financial Instruments* will not apply. For the department, these statutory receivables include fees and charges levied under the *Mining Act 1971*, *Petroleum and Geothermal Energy Act 2000* and *Opal Mining Act 1995* and GST input tax recoverable. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes. Statutory receivables are $3.5 million (2022: $2.5 million)

Prepayments are also not classified as financial instruments for disclosure purposes as they are not financial assets.

7. Liabilities

7.1. Payables

	2023 $'000	2022 $'000
Current		
Creditors and accrued expenses	8 639	6 687
Employment on-costs	819	906
Total current payables	**9 458**	**7 593**
Non-current		
Employment on-costs	780	802
Total non-current payables	**780**	**802**
Total payables	**10 238**	**8 395**

Payables and accruals are recognised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Statutory payables do not arise from contracts.

The net amount of GST recoverable from the ATO is included as part of receivables in 2023.

Employment on-costs

Employment on-costs include payroll tax, ReturntoWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

The department contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and external schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has increased from the 2022 rate of 42% to 43%. The average factor for the calculation of employer superannuation on-costs has increased from the 2022 rate of 10.6% to 11.1%. These rates are used in the employment on-cost calculation. The impact on 2023 is $0.1 million and cannot be reliably estimated for future years.

7.2. Financial liabilities

All financial liabilities relate to leases.

A maturity analysis of financial liabilities based on undiscounted gross cash flow is reported in the table below:

	2023	2022
Financial Liabilities	**$'000**	**$'000**
1 to 3 years	386	334
3 to 5 years	50	52
Total financial liabilities (undiscounted)	**436**	**386**

Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or the Department of Treasury and Finance's incremental borrowing rate. There were no defaults or breaches on any of the financial liabilities throughout the year.

Interest expense on lease liabilities was $8 000 (2022: $4 000)

7.3. Provisions

All provisions relate to workers compensation.

	2023	2022
	$'000	**$'000**
Reconciliation of workers compensation (statutory and non-statutory)		
Carrying amount as at 1 July	3 003	3 836
Increase (decrease) in provisions recognised	55	(744)
Reductions resulting from payments	(64)	(89)
Carrying amount as at 30 June	**2 994**	**3 003**

The department is an exempt employer under the *Return to Work Act 2014.* Under a scheme arrangement, the department is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment.

There is a significant degree of uncertainty associated with estimating future claim and expense payments, and also around the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

7.4. Security deposits

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of mining operations. Cash deposits are classified as security deposits. Security deposits held total $24.3 million (2022: $28.4 million). The value of securities held in the form of bank guarantees are reflected as a contingent asset as the department only has claim on these funds if the mining operator fails to meet its legislative requirements.

7.5. Other liabilities

	2023 $'000	2022 $'000
Current		
Contract liabilities	1 793	3 861
Other	245	-
Accommodation incentive	27	27
Total current other liabilities	**2 065**	**3 888**
Non-current		
Accommodation incentive	71	98
Total non-current other liabilities	**71**	**98**
Total other liabilities	**2 136**	**3 986**

A maturity analysis of other liabilities based on undiscounted gross cash flow is reported in the table below:

Other liabilities	2023 $'000	2022 $'000
1 to 3 years	2 136	3 986
Total other liabilities (undiscounted)	**2 136**	**3 986**

Contract liabilities relate to payments of rent and annual regulatory fees at the renewal of a mining tenement or subsequent exploration licence. Refer to note 2.3 for further detail.

Accommodation incentive liabilities relate to arrangements with the Department for Infrastructure and Transport (DIT) for office accommodation. These arrangements do not comprise leases and the accommodation incentives do not comprise financial liabilities under AASB 16 *Leases*. DIT has provided a fit-out of accommodation. The benefit of these incentives is spread over the accommodation term so that each year reported accommodation expenses reflect the economic substance of the office accommodation arrangements and related benefits provided.

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

8.2. Cash flow

Reconciliation of net result to cash flows from operating activities

	2023 $'000	2022 $'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	55 709	132 956
Balance as per the Statement of Cash Flows	**55 709**	**132 956**
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash (used in) / provided by operating activities	(69 373)	56 435
Add / (less) non-cash items		
Depreciation and amortisation expense of non-current assets	(2 815)	(2 946)
Concessional lending discount income	1 482	390
Amortisation of lease incentive	27	27
Asset derecognition	-	(1)
Bad and doubtful debts expense	(17)	140
Resources received free of charge	507	538
Resources provided free of charge	(507)	(538)
Donated assets	(1 651)	(1 095)
(Loss) / gain from the disposal of non-current assets	(50)	5
Net cash (used in) / provided by operating activities before change in assets and liabilities	**(72 397)**	**52 955**
Movement in assets and liabilities		
(Decrease) in receivables	(17 872)	(44 042)
(Increase) / decrease in payables	(1 710)	5 129
Decrease in other liabilities	1 837	1 805
Decrease in provisions	9	833
Decrease / (increase) in security deposits	4 180	(9 530)
Decrease in employee benefits	645	1 824
(Increase) / decrease in financial liabilities	(6)	17
Net Result	**(85 314)**	**8 991**

Total cash outflows for leases were $0.2 million (2022: $0.3 million).

9. Outlook

9.1. Unrecognised commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value.

Contractual commitments to acquire property, plant and equipment

	2023	2022
	$'000	$'000
Within one year	4 832	2 060
Later than one year but not later than five years	960	-
Total capital commitments	**5 792**	**2 060**

The department's capital commitments are primarily related to Mining and Exploration Regulation System ($5.6 million).

Other contractual commitments

	2023	2022
	$'000	$'000
Within one year	47 216	53 746
Later than one year but not later than five years	57 578	76 593
Later than five years	145	2 303
Total expenditure commitments	**104 939**	**132 642**

The department's expenditure commitments are primarily for agreements for:

- South Australian Grid-Connected Battery Facility ($19 million),
- Remote Area Energy Supply independent operator subsidies ($12.4 million),
- Management of electricity infrastructure in the remote area energy supply communities ($11.4 million),
- South Australia's funding commitment to the Australian Energy Market Commission ($11.4 million),
- Demonstration of technology from an expanded Hornsdale Power Reserve ($8.5 million),
- South Australia's Electric Vehicle Public Charging Network ($6.9 million), and
- Memoranda of administrative arrangements with the Department for Infrastructure and Transport for accommodation ($9.6 million).

9.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Contingent assets

The department receives securities in accordance with Acts administered by the department. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees as at 30 June 2023 is approximately $283 million (2022: approximately $282 million). The department only has a claim on these funds if the licensee fails to perform their legislative requirements.

Contingent liabilities

The nature of activities that the department is involved in can create potential exposure to mining matters, which the department may be required to remedy in the future. The department has some potential outstanding litigation specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. At this time, the financial impact, if any, cannot be reliably estimated.

The department may have future obligations to reimburse SA Water for any damage to infrastructure sustained through discharge of water from Buckland Dry Creek salt fields via pipeline on SA Water land through the Bolivar outfall channel. At this time the financial impact, if any, cannot be reliably estimated.

9.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and amended Australian Accounting Standards and Interpretations not yet implemented and does not expect these to have a material impact on the department's statements.

9.4. Events after the reporting period

The department is not aware of any event occurring after balance date that would materially affect the financial statements.

10. Measurement and risk

10.1. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or nominal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment, other than right-of-use assets, is subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than $1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken every six years. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly); and
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

At both 30 June 2023 and 30 June 2022 all property, plant and equipment was classified as level 3 with the exception of land which was classified as level 2.

10.1. Fair value (continued)

Land and buildings

An independent valuation of land and buildings owned by the department was performed in June 2020 by a Certified Practising Valuer from Marsh Valuation Services, as at 30 June 2020.

Fair value of land was determined using the direct comparison approach whereby the evidence derived from the analysis of recent sales of similar properties was used to establish the value of the subject property. In this regard, sales evidence was collected as close to the date of valuation as possible and compared to the subject property on the basis of size, zoning, location, topography, shape and current use. The sales were then analysed on a sales price per square metre or hectare of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Given the specialised nature of some of the parcels there were limited directly comparable recent sales evidence available. For properties with limited sales evidence available or more unique zonings and uses, a higher number of assumptions and adjustments were required. Where a significant number of assumptions were required, the land was valued on a level 3 basis in the valuation hierarchy. Where sales evidence was available and fewer assumptions were required, the land was valued on a level 2 basis in the valuation hierarchy.

The fair value of specialised building assets was determined using current replacement cost. A broad search for other similar properties, not only locally based but across the State, indicated that there had been limited registered sales of such properties in the past 18 months.

The value of the buildings and site improvements was determined using the cost approach, by first establishing their estimated cost to replace with an equivalent new asset less depreciation for their physical, functional and economic obsolescence.

For non-specialised building assets where the asset can be identified as having the capability to be compared to open market conditions, the direct comparison or income approach was adopted whereby the evidence derived from the analysis of recent sales of similar properties was used to establish the value of the subject property. In this regard, sales evidence was collected as close to the date of valuation as possible and compared to the subject property on the basis of quality, age, condition and size of improvements, location, land area and shape. The sales were then analysed on a sales price per square metre of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Plant and equipment

Plant and equipment have not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

Works of art

An independent valuation was performed by a Certified Practicing Valuer from Theodore Bruce, as at 1 June 2018.

Fair value of works of art was determined using the market approach. The valuation was based on recent market transactions for similar items. The valuer used the cost approach (that is, depreciated reproduction cost) taking into account the assets' characteristics and restrictions, due to there not being an active market. The valuation used a combination of internal records, specialised knowledge and market information about reproduction materials.

10.2. Financial instruments

Financial risk management

Risk management is managed by the department's Corporate Services section. Departmental risk management policies are in accordance with the *SA Government Risk Management Guide* and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to notes 7.1 and 7.2 for further information.

Credit risk

The department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

Impairment of financial assets - receivables

The department has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses (ECL) on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

To measure the ECL, receivables are grouped based on shared risks characteristics and the days past due. When estimating ECL, the department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating ECL is the maximum contractual period over which the department is exposed to credit risk.

The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

10.2. Financial instruments (continued)

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect differences between previous economic conditions, current conditions and the department's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the department and a failure to make contractual payments for a period of greater than 90 days past due.

Receivables written off during the year are not subject to enforcement activity.

The department considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the ECL is nil.

All of the department's debt investments (except for concessional loans – refer below) at amortised cost are considered to have low credit risk based on payment history. The ECL is nil.

Impairment of financial assets - concessionary loans

The department measures expected credit losses (ECLs) on concessional loans at an amount equal to lifetime credit losses under the general impairment model in AASB 9.

At each reporting date, the department considers whether there has been a significant increase in credit risk of each of the concessional loans since initial recognition and when estimating ECL. The department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes qualitative and quantitative information, based on the department's historical experience and consideration of current and future economic conditions.

The department assumes that the credit risk on a concessionary loan has increased significantly if it is more than 30 days past due.

The department considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the department in full, without recourse by the department; or
- the concessionary loan is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the concessionary loan.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the department under the terms of the contract) and the cash flows that the department expects to recover.

There are no indicators of any significant credit losses over loans provided by the department.

Market risk

The department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Exposure to interest rate risk may arise through its interest-bearing liabilities, including borrowings. The department's interest-bearing liabilities are managed through the South Australian Government Financing Authority and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

10.2. Financial instruments (continued)

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The department measures all financial instruments at amortised cost.

11. Trust Fund

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of a royalty on extractive minerals and is used for the rehabilitation of land disturbed by extractive mining operations. The funds collected are used to limit damage to any aspect of the environment by such extractive mining operations, in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to this trust fund for year ended 30 June are as follows:

	2023 $'000	2022 $'000
Income		
Royalties	3 780	3 968
Total income	**3 780**	**3 968**
Expenses		
Extractive Industries contribution	1 644	1 605
Rehabilitation costs	22	58
Other expenses	137	-
Total expenses	**1 803**	**1 663**
Net result	**1 977**	**2 305**
Total comprehensive result	**1 977**	**2 305**

	2023 $'000	2022 $'000
Current assets		
Cash	35 826	33 849
Total assets	**35 826**	**33 849**
Net assets	**35 826**	**33 849**
Equity		
Net receipts	1 977	2 305
Retained earnings	33 849	31 544
Fund balance at the end of the period	**35 826**	**33 849**