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To the Chairperson Essential Services Commission

Opinion

I have audited the financial report of the Essential Services Commission for the financial year ended 30 June 2024.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Essential Services Commission as at 30 June 2024, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Disclosures.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2024
- a Statement of Financial Position as at 30 June 2024
- a Statement of Changes in Equity for the year ended 30 June 2024
- a Statement of Cash Flows for the year ended 30 June 2024
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chairperson, the Chief Executive Officer and the Director Finance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Essential Services Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive Officer and the Commissioners of the Essential Services Commission for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Disclosures, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Commissioners of the Essential Services Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 24(2) of the *Essential Services Commission Act 2002*, I have audited the financial report of Essential Services Commission for the financial year ended 30 June 2024.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Essential Services Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Commissioners of the Essential Services Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

25 September 2024

Essential Services Commission

Financial Statements

For the year ended 30 June 2024

Essential Services Commission
Certification of the Financial Statements
for the year ended 30 June 2024

We certify that the:

- financial statements of the Essential Services Commission:
 - are in accordance with the accounts and records of the Essential Services Commission
 - comply with relevant Treasurer's Instructions
 - comply with relevant accounting standards, and
 - present a true and fair view of the financial position of the Essential Services Commission at the end of the financial year and the result of its operations and cash flows for the financial year.
- internal controls employed by the Essential Services Commission for the financial year over its financial reporting and its preparation of financial statements have been effective.

Signed in accordance with a resolution of the Essential Services Commission.



Mr David Swift AM
Chairperson
25 September 2024



Mr Adam Wilson
Chief Executive Officer
25 September 2024



Mr Nick Mahon
Director Finance
25 September 2024

Essential Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Income			
Revenue from licence and administration fees	2.1	9 661	5 219
SA Government grants, subsidies and transfers		947	1 430
Revenue from services	2.2	87	151
Resources received free of charge	2.3	50	49
Other income	2.4	1	15
Total income		10 746	6 864
Expenses			
Employee related expenses	3.3	6 237	5 575
Supplies and services	4.1	2 340	2 289
Depreciation and amortisation	5.1, 5.2	180	138
Other expenses	4.2	33	100
Total expenses		8 790	8 102
Net result		1 956	(1 238)
Total comprehensive result		1 956	(1 238)

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

Essential Services Commission
Statement of Financial Position
as at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Current assets			
Cash and cash equivalents		9 597	7 450
Receivables	6.1	808	691
Total current assets		10 405	8 141
Non-current assets			
Property, plant and equipment	5.1	141	81
Intangible assets	5.2	1 312	1 244
Receivables	6.1	1	-
Total non-current assets		1 454	1 325
Total assets		11 859	9 466
Current liabilities			
Payables	7.1	236	430
Employee related liabilities	3.4	684	596
Provisions	7.2	11	8
Other liabilities	7.3	556	160
Total current liabilities		1 487	1 194
Non-current liabilities			
Employee related liabilities	3.4	732	597
Provisions	7.2	36	27
Total non-current liabilities		768	624
Total liabilities		2 255	1 818
Net assets		9 604	7 648
Equity			
Retained earnings		9 604	7 648
Total equity		9 604	7 648

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

Essential Services Commission
Statement of Changes in Equity
for the year ended 30 June 2024

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2022	8 886	8 886
Net result for 2022-23	(1 238)	(1 238)
Total comprehensive result for 2022-23	(1 238)	(1 238)
Balance at 30 June 2023	7 648	7 648
Net result for 2023-24	1 956	1 956
Total comprehensive result for 2023-24	1 956	1 956
Balance at 30 June 2024	9 604	9 604

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

Essential Services Commission
Statement of Cash Flows
for the year ended 30 June 2024

	2024	2023
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Receipts from licence and administration fees	9 976	5 293
Receipts from SA Government grants, subsidies and transfers	947	1 430
Receipts from other services	96	174
GST recovered from DTF	193	177
Other receipts	1	33
Cash generated from operations	11 213	7 107
Cash (outflows)		
Employee related payments	(6 034)	(5 339)
Payments for supplies and services	(2 771)	(2 569)
Cash (used in) operations	(8 805)	(7 908)
Net cash provided by / (used in) operating activities	2 408	(801)
Cash flows from investing activities		
Cash (outflows)		
Purchase of intangible assets	(229)	(578)
Purchase of property, plant and equipment	(32)	-
Cash (used in) investing activities	(261)	(578)
Net cash provided by / (used in) investing activities	(261)	(578)
Net increase/ (decrease) in cash and cash equivalents	2 147	(1 379)
Cash and cash equivalents at the beginning of the period	7 450	8 829
Cash and cash equivalents at the end of the period	9 597	7 450

The accompanying notes form part of these financial statements.

Essential Services Commission

Notes to and forming part of the financial statements

For the year ended 30 June 2024

1. About the Essential Services Commission

1.1. Reporting entity

The Essential Services Commission (Commission) is a not-for-profit statutory authority established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (ESC Act).

1.2. Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987* (PFAA)
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the PFAA, and
- relevant Australian Accounting Standards applying simplified disclosures.

The financial statements are prepared based on a 12-month reporting period and are 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 to be 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.

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 Commission is grouped with the Department of Treasury and Finance (DTF) for GST purposes, and accordingly DTF prepares the Business Activity Statement on behalf of the Commission via the grouping provisions of the GST legislation. Notwithstanding the use of these grouping provisions, cash alignment occurs to ensure the Commission either recovers the net amount of GST recoverable from, or disburses the amount payable to, the ATO from DTF.

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.

The Commission is not subject to income tax but is liable for fringe benefits tax (FBT), goods and services tax (GST) and payroll tax.

Banking arrangements

The Commission uses the banking arrangements of DTF under a Service Level Agreement. A non-interest bearing Special Deposit Account (SDA) entitled 'Essential Services Commission Operating Account', established by the Treasurer of South Australia (Treasurer) under the PFAA, is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence and administration fees.

Material accounting policies are set out throughout the notes.

Essential Services Commission

Notes to and forming part of the financial statements

For the year ended 30 June 2024

1.3. Administered items

Section 22 of the ESC Act requires that, except as otherwise directed by the Treasurer, fees or other amounts received by the Commission under that or any other Act will be paid into the Consolidated Account. The Treasurer has directed the use of the SDA for the purpose of recording all the financial transactions of the Commission.

The amounts transferred to the Consolidated Account are administered items held on behalf of the South Australian Government. The Commission is accountable for the collection and banking of those administered items, but does not have the discretion to deploy the resources for the achievement of the Commission's objectives. The receipt of these administered items is not recognised as revenue. Instead, the subsequent transfer of these items to the Consolidated Account is disclosed in notes 2.1 and 9.

1.4. Objectives and programs

The Commission undertakes economic regulation in the water and sewerage, electricity, gas, maritime and rail industries, provides advice to local councils, conducts formal public inquiries and provides advice to the South Australian Government on economic and regulatory matters. The ESC Act and various other Acts together provide the Commission with those regulatory and advisory powers and functions. The Commission's role under the *Planning, Development and Infrastructure Act 2016* has not commenced, as the enabling regulations are not in place.

Under the ESC Act the Commission has the primary objective of the '...protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services'.

The ESC Act sets out seven further factors which the Commission must have regard to in performing its functions, being:

- promoting competitive and fair market conduct
- preventing misuse of monopoly or market power
- facilitating entry into relevant markets
- promoting economic efficiency
- ensuring consumers benefit from competition and efficiency
- facilitating maintenance of the financial viability of regulated industries and the incentive for long-term investment, and
- promoting consistency in regulation with other jurisdictions.

The Commission has two broad advisory functions.

The first is to provide advice to the Treasurer, on request, in relation to any matter (section 5(f) of the ESC Act). In that capacity the Commission acts as an adviser to the South Australian Government, providing independent advice on economic and regulatory matters.

The second is the provision of advice to local councils under section 122 of the *Local Government Act 1999* on the appropriateness of the following matters:

- material amendments made, or proposed to be made, to a council's long-term financial plan and infrastructure and asset management plan and the reasons for those amendments
- revenue sources as outlined in a council's funding plan, and
- any other matter prescribed by regulation.

The Commission also has the function of conducting formal public inquiries (Part 7 of the ESC Act). Such inquiries can be initiated by the Commission (into any matters within its regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).

The ESC Act specifies a general set of functions for the Commission. However, the specific roles of the Commission are assigned to it under industry legislation.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

1.4 Objectives and programs (continued)

The following table summarises such roles for the year ended 30 June 2024.

Legislation	Regulatory functions
<i>Water Industry Act 2012</i>	Water and sewerage retail service providers: <ul style="list-style-type: none"> • Licensing • Retail price regulation • Consumer protection • Service / reliability standard setting • Performance monitoring and reporting Third Party Access Regime regulator
<i>Electricity Act 1996</i>	Electricity retail operations: <ul style="list-style-type: none"> • Monitoring and, if necessary, determination of the retailer Solar Photovoltaic Feed-in Tariff • Preparation and publication of Ministerial Energy Retail Price Offers Comparison report • Retailer Energy Productivity Scheme administration Electricity generation, transmission, distribution and off-grid retailers: <ul style="list-style-type: none"> • Licensing • Network service / reliability standard setting • Performance monitoring and reporting
<i>Gas Act 1997</i>	Gas retail operations: <ul style="list-style-type: none"> • Preparation and publication of Ministerial Energy Retail Price Offers Comparison report • Retailer Energy Productivity Scheme administration Retail and Distribution LPG gas operations: <ul style="list-style-type: none"> • Licensing Natural gas operations: <ul style="list-style-type: none"> • Licensing • Standard setting • Performance monitoring and reporting
<i>AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997</i>	Access Regulator of: <ul style="list-style-type: none"> • Tarcoola–Darwin railway • Intrastate railway
<i>Maritime Services (Access) Act 2000</i>	Proclaimed ports services pricing and access regulator
<i>Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the South Australian Government (not yet commenced, as the enabling regulations are not in place).
<i>Local Government Act 1999</i>	The Commission has functions relating to the provision of advice to local councils on the appropriateness of amendments to, and revenue sources for, their long-term financial and infrastructure and asset management plans.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

2. Income

2.1. Revenue from licence and administration fees

	Note	Electricity \$'000	Gas \$'000	Water \$'000	LG Advice \$'000	2024 \$'000	2023 \$'000
Licence fees		11 129	2 420	8 587	-	22 136	17 790
Administration fees		1 180	310	-	-	1 490	1 422
LG advice fees		-	-	-	680	680	600
Administered items	9	(6 747)	(2 652)	(5 088)	(158)	(14 645)	(14 593)
Total revenue from licence and administration fees		5 562	78	3 499	522	9 661	5 219

Revenue from the issuing of licence and administration fees is recognised at the point in time the licence is issued and upon annual renewal. Licence and administration fees are set by the relevant Minister in accordance with the relevant Act. Unearned revenue is recognised where cash is received by the Commission for licence or administration fees prior to the date of renewal or issue. Local Government (LG) advice fees have been recognised on completion of the performance obligation.

2.2. Revenue from services

	2024 \$'000	2023 \$'000
Contribution to rail regulatory costs by Northern Territory Government	87	151
Total revenue from services	87	151

Contributions are recognised as revenues upon receipt.

2.3. Resources received free of charge

	2024 \$'000	2023 \$'000
Services received free of charge - Shared Services SA	36	35
Services received free of charge - ICT	14	14
Total resources received free of charge	50	49

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 Commission receives financial accounting, taxation, payroll, accounts payable and accounts receivable services from Shared Services SA and receives ICT services from Department of the Premier and Cabinet.

2.4. Other income

	2024 \$'000	2023 \$'000
Other income	1	15
Total other income	1	15

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

3. Commission, committees and employees

3.1. Key management personnel

Key management personnel of the Commission include the Treasurer, Commissioners, Chief Executive Officer and five members of the Leadership Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$1 791 000 (2023: \$1 616 000) and excludes salaries and other benefits by the Treasurer. The Treasurer'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 DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

The Commission did not enter into any transactions with key management personnel or their close family during the reporting period.

3.2. Commission and committee members

Members that were entitled to receive remuneration (directly and indirectly) for membership during the 2024 financial year were:

Essential Services Commission

Mr David Swift AM (Chairperson)
Ms Rebecca Billings
Mr Mark Darras
Mr Garry Goddard
Ms Amanda Heyworth

Consumer Advisory Committee

Mr David Swift AM (Chairperson) *
Ms Anne Bainbridge **
Mr Sandy Canale **
Ms Alice Clark **
Ms Kendall Crowe
Ms Jodie van Deventer
Mr Richard Fowler **
Mr Mark Henley
Mr Glenn Hordacre
Mr Kevin Kaeding
Ms Helena Kyriazopoulos OAM
Ms Kay Matthias
Mr Ron Shanks
Ms Jodi Slater
Ms Heather Smith
Ms Jessica Stevens
Ms Estha van der Linden
Mr Ross Womersley

* No remuneration was received by Mr David Swift AM in the role of Chairperson of the Consumer Advisory Committee.

** Members have elected to not be remunerated.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

3.2 Commission and committee members (continued)

Commission and committee remuneration

	2024	2023
The number of members* whose remuneration received or receivable falls within the following bands:		
\$0 - \$19 999	17	13
\$20 000 - \$39 999	2	2
\$40 000 - \$59 999	1	2
\$60 000 - \$79 999	2	2
Total number of members	22	19

* If members sit on multiple committees they are only counted once.

The total remuneration received or receivable by members was \$274 000 (2023: \$298 000). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any related fringe benefits tax paid.

3.3. Employee related expenses

	2024	2023
	\$'000	\$'000
Salaries and wages	4 405	3 971
Long service leave	211	42
Annual leave	425	352
Skills and experience retention leave	16	15
Employment on-costs - superannuation	631	548
Employment on-costs - other	251	242
Commission and committee fees*	247	269
Other employee related expenses	51	136
Total employee related expenses	6 237	5 575

* Commission and committee fees only include direct payment to members. Superannuation payments including salary sacrifice payments are included under Employment on costs - superannuation. See note 3.2 for details of remuneration for Commission and committee members.

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the Commission's contributions to superannuation plans in respect of current services of current employees. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

3.3 Employee related expenses (continued)

Remuneration of employees

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

	2024	2023
	No.	No.
\$166 001 - \$186 000	2	1
\$186 001 - \$206 000	2	2
\$206 001 - \$226 000	1	-
\$226 001 - \$246 000	2	1
\$366 001 - \$386 000	-	1
\$426 001 - \$446 000	1	-
Total remuneration of employees	8	5

The total remuneration received by these employees for the year was \$1 847 000 (2023: \$1 152 000).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year, of which 5 (2023: 5) are executive and 3 (2023: nil) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits and any related fringe benefits tax paid.

3.4. Employee related liabilities

	2024	2023
	\$'000	\$'000
Current		
Annual leave	468	381
Long service leave	97	115
Skills and experience retention leave	24	23
Employment on-costs	95	77
Total current employee related liabilities	684	596
Non-current		
Long service leave	665	542
Employment on-costs	67	55
Total non-current employee related liabilities	732	597
Total employee related liabilities	1 416	1 193

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

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

3.4 Employee related liabilities (continued)

Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave liability are 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 to be taken in future years by employees are estimated to be less than the annual entitlement for sick leave.

Long service leave liability - measurement

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.

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

The expected timing and amount of long service leave payment is determined through whole-of-government actuarial calculations, which are 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.

The discount rate used in measuring the liability is reflective 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 increased from 4.0% in 2023 to 4.25% in 2024.

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

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$42 000 and employee benefits expense of \$42 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic and financial assumptions, including the long-term discount rate.

Following the actuarial assessment performed by DTF the salary inflation rate has increased from 2023 (2.5%) to 2024 (3.5%) for long service leave liability. This increase to the percentage has led to an overall increase in the reported long service leave for 2024.

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

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefit 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 Commission makes contributions to the South Australian 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 superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken has increased from 43.0% in 2023 to 44.0% in 2024 and the average factor for the calculation of the employer superannuation on-costs has increased from 11.1% in 2023 to 11.5% in 2024. These rates are used in the employment on-cost calculation. The net financial effect of the change on employment on-costs and employee benefit expense are immaterial.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

4. Expenses

4.1. Supplies and services

	2024	2023
	\$'000	\$'000
General administration*	1 044	991
Consultants	691	552
Accommodation	320	378
Information technology charges	274	320
Other supplies and services	11	48
Total supplies and services	2 340	2 289

Total Supplies and services includes GST where the amount of GST incurred by the Commission as a purchaser is not recoverable from the ATO.

*Includes audit fees paid/payable to the Audit Office of South Australia relating to work performed under the *Public Finance and Audit Act 1987* of \$23,400 in 2024. No other services were provided by the Audit Office of South Australia.

Accommodation

The Commission's accommodation is provided by the Department for Infrastructure and Transport (DIT) under a Memorandum of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of lease and are expensed (included in Accommodation).

4.2. Other expenses

	2024	2023
	\$'000	\$'000
Doubtful debts expense	(104)	100
Bad debts written off	137	-
Total other expenses	33	100

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

5. Non-financial assets

5.1. Property, plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value of \$15 000 or more is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is recorded at fair value.

Reconciliation of property, plant and equipment

The following table shows the movement in value of property, plant and equipment for the year ended 30 June 2024.

Reconciliation 2023-24	Building fit-outs \$'000	Furniture and fittings \$'000	Work In Progress \$'000	Total \$'000
Carrying amount at the beginning of the period	-	81	-	81
Additions	-	-	78	78
Depreciation and amortisation	-	(18)	-	(18)
Carrying amount at the end of the period	-	63	78	141
Gross carrying amount				
Gross carrying amount	566	107	78	751
Accumulated depreciation	(566)	(44)	-	(610)
Carrying amount at the end of the period	-	63	78	141

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2024

5.2. Intangible assets

The following table shows the movement in value of intangible assets for the year ended 30 June 2024.

Reconciliation of intangible assets

Reconciliation 2023-24	Internally developed software	Externally developed software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	477	-	767	1 244
Additions	-	-	230	230
Capital transfers from work in progress	997	-	(997)	-
Subtotal:	1 474	-	-	1 474
Gains/(losses) for the period recognised in net result:				
Amortisation	(162)	-	-	(162)
Carrying amount at the end of the period	1 312	-	-	1 312
Gross carrying amount				
Gross carrying amount	1 620	184	-	1 804
Accumulated amortisation	(308)	(184)	-	(492)
Carrying amount at the end of the period	1 312	-	-	1 312

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5.2 Intangible assets (continued)

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 any 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 \$15 000.

Impairment

There were no indications of impairment of intangible assets at 30 June 2024.

5.3. Depreciation and amortisation

All non-current assets that have limited useful lives are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as plant and equipment.

Useful life

Depreciation / amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Leasehold improvements	3-10
Furniture and fittings	3-10
Office equipment – Information Technology	3-5
Office equipment - Other	3-5
Intangibles	3-10

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. No adjustments were made during the reporting period. 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.

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6. Financial assets

6.1. Receivables

	2024	2023
	\$'000	\$'000
Current		
Trade receivables	159	304
GST recoverable from DTF	26	34
Less impairment loss on receivables	(1)	(104)
Total trade receivables	<u>184</u>	<u>234</u>
Accrued revenue	508	387
Prepayments	116	70
Total current receivables	<u>808</u>	<u>691</u>
Non-current		
Receivables	1	-
Total non-current receivables	<u>1</u>	<u>-</u>
Total receivables	<u><u>809</u></u>	<u><u>691</u></u>

Receivables arise in the normal course of the issue or renewal of energy and water licences to licensees, administration fees to energy retailers and advice fees to councils. Receivables are normally settled within 30 days after the issue of an invoice. Receivables, prepayments and accrued revenues are non-interest bearing.

The net amount of GST recoverable from the ATO (via DTF) is included as part of receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

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

Essential Services Commission
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7. Liabilities

7.1. Payables

	2024 \$'000	2023 \$'000
Current		
Creditors and accrued expenses	236	430
Total current payables	<u>236</u>	<u>430</u>
Total payables	<u><u>236</u></u>	<u><u>430</u></u>

Payables are measured at nominal amounts.

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.

7.2. Provisions

	2024 \$'000	2023 \$'000
Current		
Workers' compensation	11	8
Total current provisions	<u>11</u>	<u>8</u>
Non-current		
Workers' compensation	36	27
Total non-current provisions	<u>36</u>	<u>27</u>
Total provisions	<u><u>47</u></u>	<u><u>35</u></u>
Reconciliation of workers compensation	2024 \$'000	2023 \$'000
Carrying amount at the beginning of the period	35	25
Additional provisions recognised	12	10
Carrying amount at the end of the period	<u><u>47</u></u>	<u><u>35</u></u>

A provision 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 2024 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Commission is responsible for the payment of workers compensation claims.

Essential Services Commission
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7.3. Other liabilities

	2024	2023
	\$'000	\$'000
Current		
Unearned revenue	556	160
Total current other liabilities	<u>556</u>	<u>160</u>
Total other liabilities	<u><u>556</u></u>	<u><u>160</u></u>

Unearned revenue is recognised where cash is received by the Commission for licence and administration fees prior to the date of renewal.

8. Outlook

8.1. Unrecognised commitments

Commitments arising from contractual sources are disclosed at their nominal value and inclusive of non-recoverable GST.

Contractual commitments

Commitments for accommodation and consultant contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2024	2023
	\$'000	\$'000
Within one year	352	524
Later than one year but not later than five years	848	1 197
Total expenditure commitments	<u><u>1 200</u></u>	<u><u>1 721</u></u>

8.2. Contingent assets and contingent 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.

The Commission is not aware of any contingent assets or contingent liabilities as at 30 June 2024.

8.3. Events after the reporting period

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

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9. Administered items

Australian Energy Market Commission

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity and gas licence and administration fees received by the Commission for the Australian Energy Market Commission. In 2024 \$2 734 000 (2023: \$2 873 000) was transferred.

Consumer Advocacy and Research Fund

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Consumer Advocacy and Research Fund. In 2024 \$342 000 (2023: \$306 000) was transferred.

Technical Regulator

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity, gas and water licence fees received by the Commission for the Technical Regulator. In 2024 \$10 100 000 (2023: \$9 977 000) was transferred.

Department for Environment and Water

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department for Environment and Water. In 2024 \$898 000 (2023: \$876 000) was transferred.

Department of Treasury and Finance

An amount approved by the Treasurer is transferred to the Consolidated Account for previous LG Advice funding and from the water licence fees received by the Commission for the Department of Treasury and Finance. In 2024 \$571 000 (2023: \$561 000) was transferred.