Financial summary

This financial summary of the department's performance and position provides an overview of the key financial information for the year ended 30 June 2021 and a statement by the Chief Finance Officer. A complete view is provided in the Financial Statements which are included in the next section of this report.

Statement by the Chief Finance Officer

In accordance with the requirements of the *Financial Accountability Act 2009*, the Chief Finance Officer has provided the Director-General with a statement confirming the financial internal controls of the department are operating efficiently, effectively and economically in conformance with Section 38 of the *Financial and Performance Management Standard 2019*. The statement was presented at the Audit and Risk Committee meeting in August 2021.

The Chief Finance Officer has fulfilled the minimum responsibilities required by the *Financial Accountability Act 2009.*

Financial performance

The department's 2020–21 total income was $1.31 billion and total expenses of $1.315 billion, resulting in a net deficit for the year of $5.4 million, compared to a deficit of $2.2 million in 2019–20. The deficit positions in both years are as a result of revaluation decrements in the land assets of the department.

Table 1. Summary of financial results of the department's operations

Category	2020–21 $'000	2019–20 $'000
Total income	1,309,617	1,105,339
Total expenses	1,314,974	1,107,512
Operating result for the year	**(5,357)**	**(2,173)**

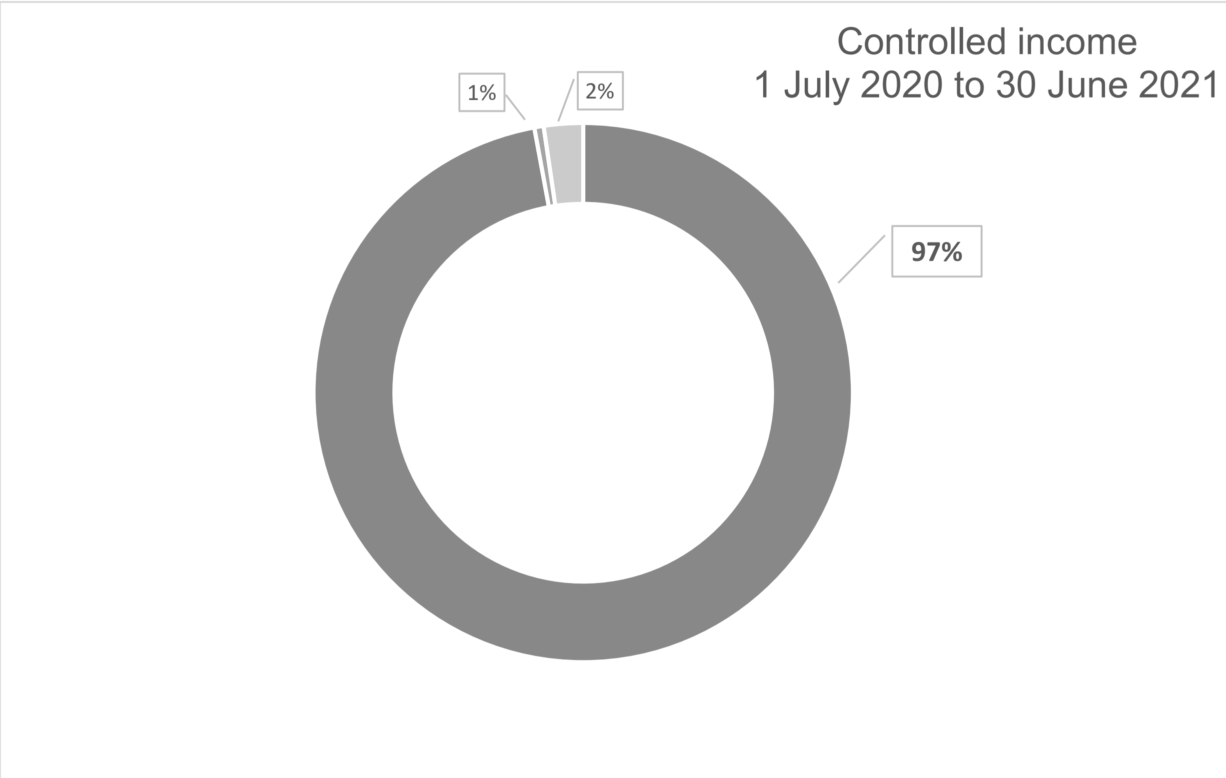
> **“ The primary source of the department's revenue in 2020–21 was $1.272 billion of appropriation from the Queensland Government, which accounted for 97 per cent of the total income.**

Income

The primary source of the department's revenue in 2020–21 was $1.272 billion of appropriation from the Queensland Government, which accounted for 97 per cent of the total income. Further sources of revenue comprised $30.8 million from other revenue which included grant recoveries and contributions from TAFE Queensland for the Southbank Education Training Precinct Public Private Partnership (SETP).

The department also received $4.1 million in grants and contributions as well as $3.2 million of user charges and fees, mainly related to the hire of facilities and property income from TAFE Queensland facilities, controlled by the department.

Figure 1: Income by category for the year ended 30 June 2021



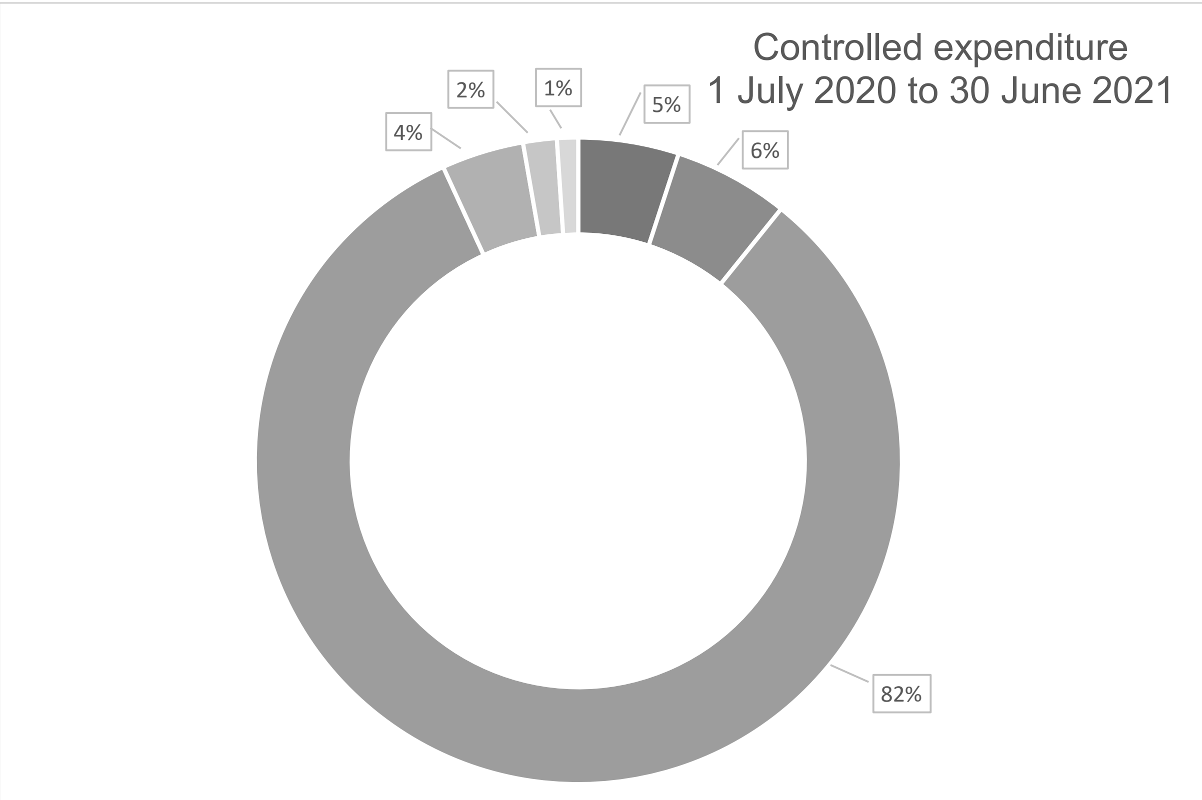
Category	Legend	Percentages in the graph above	2020–21 $'000	2019–20 $'000
Appropriation revenue		97%	1,271,505	1,073,112
Other revenue		2%	30,811	24,880
User charges, grants and contributions		1%	7,301	7,347
Total revenue		100%	**1,309,617**	**1,105,339**

Expenses

Expenses totalled $1.315 billion in 2020–21, which included $1.083 billion (approximately 82 per cent) of grants and subsidies mainly related to training and skills programs ($856.3 million), and another $191 million was for small business programs predominately for the Small Business COVID-19 Adaption Grants.

The department expensed $75.6 million on supplies and services with the largest spend on building maintenance and associated costs. To support the department's workforce, $66.1 million was expensed on employee expenses, with 537 full time equivalents at 30 June 2020 compared to 577 full time equivalents in 2019. Depreciation of $54 million was incurred which predominately related to TAFE Queensland buildings controlled by the department, and a further $22.1 million for finance/borrowing costs associated with the SETP finance liability, which will continue to 2039.

Figure 2: Expenses by category for the year ended 30 June 2021



Category	Legend	Percentages in the graph above	2020–21 $'000	2019–20 $'000
Grants and subsidies	■	82%	1,083,123	873,745
Supplies and services	■	6%	75,582	88,126
Employee expenses	■	5%	66,142	69,443
Depreciation and amortisation	■	4%	54,035	48,435
Finance/borrowing costs	■	2%	22,130	22,493
Other expenses (including Impairment losses and revaluation decrement)	■	1%	13,962	5,270
Total expenses		100%	**1,314,974**	**1,107,512**

Financial position

The net assets position or total equity reported in the financial statements shows the net worth of the department. At 30 June 2021, this was $1.349 billion.

Table 2 summaries the department's financial position for 2020–21 and 2019–20.

Table 2. Summary of financial position – Assets and Liabilities

Category	2020–21 $'000	2019–20 $'000
Total assets	1,850,266	1,807,759
Total liabilities	(500,796)	(462,913)
Total equity	1,349,470	1,344,846

Assets

At 30 June 2021, the department held assets totalling $1.85 billion. Assets consist primarily of $303.9 million in cash and cash equivalents, and $1.529 billion in property, plant and equipment. Property, plant and equipment represents 83 per cent of total assets and consists predominately of $419.5 million in land, $960.3 million in buildings and $148.9 million of work in progress on buildings, which are all at TAFE Queensland sites controlled by the department.

The department delivered $68.9 million in capital works during 2020–21 compared to $100.9 million in 2019–20. The annual revaluation of buildings had a net increase of $16.7 million, increasing the building asset revaluation surplus to $221.7 million and the revaluation of land resulted in a $5.4 million decrement that is recognised in the Statement of Comprehensive Income as the department had not had a land asset revaluation reserve from establishing the department in 2017–18.

Liabilities

The department's liabilities at 30 June 2021, totalled $500.8 million consisting primarily of $212.6 million in payables, $206 million in interest-bearing liabilities, and $79.8 million in provision for training services.

Payables relate to trade and capital creditors, amounts owed to grant and subsidy recipients and amounts payable to the Queensland Government to the Consolidated Fund.

Interest-bearing liabilities relate to the finance liability for the SETP, which will continue to 2039.

Provision in training services are for obligations under contractual arrangements to registered training providers, for training delivery and assessment of students who commenced studies and did not complete their study prior to 30 June 2021.

Financial statements

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Department of Employment, Small Business and Training
Statement of Comprehensive Income
for the year ended 30 June 2021

OPERATING RESULT	Notes	**2021 Actual $'000**	2021 Original Budget $'000	Budget Variance * $'000	2020 Actual $'000
Income from continuing operations					
Appropriation revenue	B1-1	**1 271 505**	1 438 869	(167 364)	1 073 112
User charges and fees	B1-2	**3 248**	1 705	1 543	2 823
Grants and contributions		**4 053**	6 200	(2 147)	4 524
Other revenue	B1-3	**30 811**	17 128	13 683	24 880
Total income from continuing operations		**1 309 617**	1 463 902	(154 285)	1 105 339
Expenses from continuing operations					
Employee expenses	B2-1	**66 142**	71 157	(5 015)	69 443
Supplies and services	B2-2	**75 582**	105 899	(30 317)	88 126
Grants and subsidies	B2-3	**1 083 123**	1 213 680	(130 557)	873 745
Depreciation and amortisation		**54 035**	48 412	5 623	48 435
Impairment losses	C2-1	**4 086**	-	4 086	253
Finance/borrowing costs		**22 130**	22 130	-	22 493
Revaluation decrement	C7-3	**5 357**	-	5 357	2 055
Other expenses	B2-4	**4 519**	2 624	1 895	2 962
Total expenses from continuing operations		**1 314 974**	1 463 902	(148 928)	1 107 512
Operating result from continuing operations		**(5 357)**	-	(5 357)	(2 173)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to operating result:					
Increase/(decrease) in asset revaluation surplus	C7-3	**16 691**	-	16 691	2 193
Total items that will not be reclassified to operating result		**16 691**	-	16 691	2 193
TOTAL OTHER COMPREHESIVE INCOME		**16 691**	-	**16 691**	**2 193**
TOTAL COMPRHENSIVE INCOME		**11 334**	-	11 334	20

*An explanation of major variances is included at Note E1.

The accompanying notes form part of these financial statements.

Department of Employment, Small Business and Training – Statement of Comprehensive Income by Major Departmental Service
for the year ended 30 June 2021

	Training and Skills		Small Business		Employment		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Income from continuing operations								
Appropriation revenue	**1 013 496**	989 334	**212 561**	29 576	**45 448**	54 202	**1 271 505**	1 073 112
User charges and fees	**3 248**	2 823	**-**	-	**-**	-	**3 248**	2 823
Grants and contributions	**130**	526	**3 916**	3 737	**7**	261	**4 053**	4 524
Other revenue	**30 536**	24 641	**224**	16	**51**	223	**30 811**	24 880
Total Revenue	**1 047 410**	1 017 324	**216 701**	33 329	**45 506**	54 686	**1 309 617**	1 105 339
Total income from continuing operations	**1 047 410**	1 017 324	**216 701**	33 329	**45 506**	54 686	**1 309 617**	1 105 339
Expenses from continuing operations								
Employee expenses	**51 063**	54 727	**10 129**	8 689	**4 950**	6 027	**66 142**	69 443
Supplies and services	**55 642**	77 012	**15 118**	6 023	**4 822**	5 091	**75 582**	88 126
Grants and subsidies	**856 317**	811 651	**191 084**	18 558	**35 722**	43 536	**1 083 123**	873 745
Depreciation and amortisation	**54 030**	48 418	**4**	3	**1**	14	**54 035**	48 435
Impairment losses	**3 889**	249	**197**	4	**-**	-	**4 086**	253
Finance/borrowing costs	**22 130**	22 493	**-**	-	**-**	-	**22 130**	22 493
Revaluation decrement	**5 357**	2 055	**-**	-	**-**	-	**5 357**	2 055
Other expenses	**4 339**	2 892	**169**	52	**11**	18	**4 519**	2 962
Total expenses from continuing operations	**1 052 767**	1 019 497	**216 701**	33 329	**45 506**	54 686	**1 314 974**	1 107 512
Operating result from continuing operations	**(5 357)**	(2 173)	**-**	-	**-**	-	**(5 357)**	(2 173)
Operating result for the year	**(5 357)**	(2 173)	**-**	-	**-**	-	**(5 357)**	(2 173)
Other comprehensive income								
Items that will not be reclassified to operating result:								
Increase/(decrease) in asset revaluation surplus	**16 691**	2 193	**-**	-	**-**	-	**16 691**	2 193
Total other comprehensive income	**16 691**	2 193	**-**	-	**-**	-	**16 691**	2 193
Total comprehensive income	**11 334**	20	**-**	-	**-**	-	**11 334**	20

All corporate overheads have been allocated across respective departmental services based on activity drivers. Corporate services functions include: finance and administration, procurement, human resources, payroll, staff training, information technology, records management, legal services, facilities management, policy development and executive services.

Department of Employment, Small Business and Training
Statement of Financial Position
as at 30 June 2021

	Notes	**2021 Actual $'000**	2020 Actual $'000
Current assets			
Cash and cash equivalents	C1	**303 951**	290 783
Receivables	C2	**15 259**	10 320
Prepayments		**1 561**	652
Total current assets		**320 771**	301 755
Non-current assets			
Property, plant and equipment	C3-1	**1 528 859**	1 505 200
Intangible assets		**636**	804
Total non-current assets		**1 529 495**	1 506 004
Total assets		**1 850 266**	1 807 759
Current liabilities			
Payables	C4	**212 646**	175 201
Interest-bearing liabilities	C5	**4 017**	3 613
Accrued employee benefits		**1 917**	1 917
Provisions	C6	**79 808**	76 092
Unearned revenue		**424**	89
Total current liabilities		**298 812**	256 912
Non-current liabilities			
Interest-bearing liabilities	C5	**201 984**	206 001
Total non-current liabilities		**201 984**	206 001
Total liabilities		**500 796**	462 913
Net assets		**1 349 470**	1 344 846
Equity			
Contributed equity		**1 234 040**	1 240 749
Accumulated surplus		**(106 287)**	(100 929)
Asset revaluation surplus	C7-3	**221 717**	205 026
Total equity		**1 349 470**	1 344 846

The accompanying notes form part of these financial statements.

Department of Employment, Small Business and Training – Statement of Assets and Liabilities by Major Departmental Service

as at 30 June 2021

	Training and Skills		Small Business		Employment		General Not Attributed		Total	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Current assets										
Cash and cash equivalents	**-**	-	**-**	-	**-**	-	**303 951**	290 783	**303 951**	290 783
Receivables	**12 788**	8 645	**1 256**	820	**1 215**	855	**-**	-	**15 259**	10 320
Prepayments	**1 363**	600	**136**	-	**62**	52	**-**	-	**1 561**	652
Total current assets	**14 151**	9 245	**1 392**	820	**1 277**	907	**303 951**	290 783	**320 771**	301 755
Non current assets										
Property, plant and equipment	**1 528 843**	1 505 198	**13**	2	**3**	-	**-**	-	**1 528 859**	1 505 200
Intangible assets	**636**	804	**-**	-	**-**	-	**-**	-	**636**	804
Total non-current assets	**1 529 479**	1 506 002	**13**	2	**3**	-	**-**	-	**1 529 495**	1 506 004
Total assets	**1 543 630**	1 515 247	**1 405**	822	**1 280**	907	**303 951**	290 783	**1 850 266**	1 807 759
Current liabilities										
Payables	**189 534**	89 971	**18 086**	76 279	**5 026**	8 951	**-**	-	**212 646**	175 201
Interest-bearing liabilities	**4 017**	3 613	**-**	-	**-**	-	**-**	-	**4 017**	3 613
Accrued employee benefits	**1 505**	1 509	**290**	248	**122**	160	**-**	-	**1 917**	1 917
Provisions	**79 808**	76 092	**-**	-	**-**	-	**-**	-	**79 808**	76 092
Unearned revenue	**100**	-	**235**	-	**89**	89	**-**	-	**424**	89
Total current liabilities	**274 964**	171 185	**18 611**	76 527	**5 237**	9 200	**-**	-	**298 812**	256 912
Non current liabilities										
Interest-bearing liabilities	**201 984**	206 001	**-**	-	**-**	-	**-**	-	**201 984**	206 001
Total non current liabilities	**201 984**	206 001	**-**	-	**-**	-	**-**	-	**201 984**	206 001
Total liabilities	**476 948**	377 186	**18 611**	76 527	**5 237**	9 200	**-**	-	**500 796**	462 913

Please note that the department has systems in place to allocate assets and liabilities by departmental services.

Department of Employment, Small Business and Training
Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Accumulated Surplus	Asset Revaluation Surplus	Contributed Equity	Total
		$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 July 2019		**(98 756)**	**202 833**	**1 229 781**	**1 333 858**
Operating result					
Operating result from continuing operations		(2 173)	-	-	(2 173)
Other comprehensive income					
Increase/(decrease) in asset revaluation surplus					
Buildings		-	2 193	-	2 193
Total comprehensive income for the year		**(2 173)**	**2 193**	**-**	**20**
Transactions with owners as owners					
- Appropriated equity injections	C7-2	-	-	57 381	57 381
- Appropriated equity withdrawals	C7-2	-	-	(48 436)	(48 436)
- Net transfers in from other Queensland Government entity	C3-1	-	-	2 023	2 023
Net transactions with owners as owners		**-**	**-**	**10 968**	**10 968**
Balance as at 30 June 2020		**(100 929)**	**205 026**	**1 240 749**	**1 344 846**
Balance as at 1 July 2020		**(100 929)**	**205 026**	**1 240 749**	**1 344 846**
Operating result					
Operating result from continuing operations		(5 357)	-	-	(5 357)
Other comprehensive income					
Increase/(decrease) in asset revaluation surplus					
Buildings		-	16 691	-	16 691
Total comprehensive income for the year		**(5 357)**	**16 691**	**-**	**11 334**
Transactions with owners as owners					
- Appropriated equity injections	C7-2	-	-	47 326	47 326
- Appropriated equity withdrawals	C7-2	-	-	(54 035)	(54 035)
Net transactions with owners as owners		**-**	**-**	**(6 709)**	**(6 709)**
Balance as at 30 June 2021		**(106 287)**	**221 717**	**1 234 040**	**1 349 470**

The accompanying notes form part of these financial statements.

Department of Employment, Small Business and Training
Statement of Cash Flows
for the year ended 30 June 2021

	Note	2021 Actual $'000	2020 Actual $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Service appropriation receipts		**1 295 952**	1 145 277
User charges, fees and other revenue*		**30 125**	26 137
Grants and contributions		**3 786**	3 949
GST input tax credits from ATO		**31 000**	26 989
GST collected from customers		**4 536**	6 233
Outflows:			
Employee expenses		**(67 195)**	(69 538)
Supplies and services		**(85 260)**	(58 963)
Grants and subsidies		**(1 062 977)**	(889 403)
Finance/borrowing costs		**(22 130)**	(22 493)
GST paid to suppliers		**(30 171)**	(27 030)
GST remitted to ATO		**(5 001)**	(6 271)
Other		**(1 772)**	(2 094)
Net cash provided by operating activities	CF-1	**90 893**	157 644
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Sales of property, plant and equipment		**6**	9 245
Outflows:			
Payments for property, plant and equipment		**(73 032)**	(100 944)
Net cash used in investing activities		**(73 026)**	(91 699)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Equity injections		**47 326**	57 381
Outflows:			
Equity withdrawals		**(48 412)**	(47 738)
Repayments of borrowings/finance liability payments	CF-2	**(3 613)**	(3 250)
Net cash (used in)/provided by financing activities		**(4 699)**	6 393
Net increase/(decrease) in cash and cash equivalents		**13 168**	47 487
Cash and cash equivalents - opening balance		**290 783**	243 296
Cash and cash equivalents - closing balance	C1	**303 951**	290 783

The accompanying notes form part of these financial statements.

*The category of User charges, fees and other revenue includes inflows reported under Other in the department's financial statements for 2019-20.

NOTES TO THE STATEMENT OF CASH FLOW

CF-1 Reconciliation of operating result to net cash provided by operating activities

	2021 $'000	2020 $'000
Operating surplus/(deficit)	**(5 357)**	(2 173)
Non-cash items included in operating result:		
Depreciation and amortisation expense	**54 035**	48 436
Revaluation decrement	**5 357**	2 055
Net Losses on disposal of property, plant and equipment	**2 748**	867
Impairment losses	**4 086**	253
Change in assets/liabilities:		
(Decrease)/increase in deferred appropriation payable to Consolidation Fund	**24 447**	72165
(Increase)/decrease in GST input tax credits receivable	**364**	(78)
(Increase)/decrease in net operating receivables	**(5 301)**	(972)
(Increase)/decrease in other current assets	**(910)**	(285)
Increase/(decrease) in other current liabilities	**4 050**	25 320
Increase/(decrease) in payables	**7 373**	(12 257)
Increase/(decrease) in accrued employee benefits	**1**	(538)
Net cash provided by operating activities	**90 893**	132 793

CF-2 Change in Liabilities Arising from Financing Activities

	Finance Liability $'000	Total $'000
Opening balance 2020	212 863	**212 863**
Cash Flows:		
Cash Repayment	(3 250)	**(3 250)**
Closing balance 2020	**209 613**	**209 613**

	Finance Liability $'000	Total $'000
Opening balance 2021	209 613	**209 613**
Cash Flows:		
Cash Repayment	(3 613)	**(3 613)**
Closing balance 2021	**206 000**	**206 000**

SECTION 1
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

The Department of Employment, Small Business and Training ("the department") is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is:

1 William Street

Brisbane QLD 4000.

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The department has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*. These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020.

The department is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/ or applied for the first time in these financial statements are outlined in Note F4.

A1-3 PRESENTATION

Currency and rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2019-20 financial statements.

Current/ non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the statement of financial position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Director-General and Acting Chief Finance Officer at the date of signing the Management Certificate.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the following:

- Land and buildings assets which are measured at fair value; and
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.

Where fair value is used, the fair value approach is disclosed.

Present value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Net realisable value

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

A1-6 THE REPORTING ENTITY

The financial statements include all income, expenses, assets, liabilities and equity of the department, as the entity it controls is not material (refer to Note A3).

A2 DEPARTMENTAL OBJECTIVES

The Department of Employment, Small Business and Training works with employers, small businesses and individuals to support their career and business aspirations, delivering programs and developing policy to support employment growth and match skills and training opportunities with industry workforce needs both now and into the future. Through this focus, the department is supporting the vision of skilled Queenslanders and vibrant small businesses growing Queensland's economy.

The department's purpose is to support Queensland's future workforce by connecting Queenslanders to learning opportunities through quality training and employment opportunities, and by helping small businesses to start, grow and thrive.

Contribution to the Government's objectives for the community

- supporting jobs;
- making it for Queensland
- growing our regions;
- backing small businesses;
- investing in skills;
- building Queensland; and
- backing our frontline services.

are the key priorities of the service areas:

Employment

Preparing Queensland's workforce for the demands of current and future industries by increasing employment opportunities for Queenslanders in particular disadvantaged cohorts and unemployed jobseekers.

Small Business

Helping small businesses to start, grow and employ by ensuring small businesses can seamlessly interact with government and are supported.

Training and Skills

Connecting people to quality training and skills by regulating Queensland apprenticeships and traineeships and facilitating access and participation in vocational education and training pathways, enabling Queenslanders to gain employment in current and future industries.

The department is funded for the departmental services it delivers principally by parliamentary appropriations.

A3 CONTROLLED ENTITIES

The following entity is a directly controlled entity of the department:

Name:	Building Construction Industry Training Fund (Qld) Limited
Purpose and Principal Activities:	Assist in the acquisition and enhancement of the knowledge, skills, training and education of workers in the building and construction industry. BCITF (Qld) Limited does not trade.
% Interest in Entity & Basis for Control:	100% owned by the Department of Employment, Small Business and Training

The BCITF (Qld) Limited ('the Company') was established on 1 January 1999 to assist in the acquisition and enhancement of the knowledge, skills, training and education of workers in the building and construction industry. The Company is established as a public company, limited by guarantee, and the Minister is the sole shareholder. The Company is controlled by the department, and is audited by the Auditor-General of Queensland.

The Company does not conduct business and therefore has no assets, liabilities, revenues and expenses to be consolidated in these financial statements.

The Company is the sole trustee of the Building and Construction Industry Training Fund ('the Trust'). The Trust is established to advance the education and skills of persons and organisations involved in the building and construction industry, and is audited by the Auditor-General of Queensland. The Trust is not controlled by the department.

SECTION 2
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 APPROPRIATION REVENUE

Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in operating result

	2021 $'000	2020 $'000
Original budgeted appropriation	**1 360 279**	1 049 892
Supplementary amounts:		
Treasurer's Advance	**-**	85 320
Transfers from (to) other headings (variation in headings)	**(720)**	10 065
Lapsed appropriation	**(63 607)**	-
Total appropriation received (cash)	**1 295 952**	1 145 277
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	**78 590**	6 425
Less : Closing balance of deferred appropriation payable to Consolidated Fund	**(103 037)**	(78 590)
Net Appropriation revenue	**1 271 505**	1 073 112
Appropriation revenue recognised in statement of comprehensive income	**1 271 505**	1 073 112
Variance between original budgeted and actual appropriation revenue	**(88 774)**	23 220

Accounting policy – Appropriation revenue

Appropriations provided under the *Appropriation (2020-2021) Act 2021* are recognised as revenue when received. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation repayable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Capital appropriations are recognised as adjustments to equity, refer to Note C7-2.

Disclosure – Variance analysis

Budget vs actual appropriation revenue (refer to Note E1-1).

B1-2 USER CHARGES AND FEES

	2021 $'000	2020 $'000
Revenue from contracts with customers		
General fees	**17**	226
Other user charges and fees		
Hire of facilities	**1 986**	716
Property income	**1 245**	1 881
Total	**3 248**	2 823

Accounting policy – General fees

General fees comprising of apprentice indenture documentation are recognised on transfer of the goods to the customer, which is the sole performance obligation. General fees for the sale of tickets to Queensland Training Award events are offset for the cost of the holding the event. Refunds for the event are immaterial and the full amount is recognised as revenue.

B1 REVENUE (continued)

B1-2 USER CHARGES AND FEES (continued)

Accounting policy – Hire of facilities/ property income

Hire of facilities and property income is recognised when received as there is no performance obligation by the department other than the maintenance of the facilities.

Disclosure – Hire of facilities/ property income

The department provides TAFE Queensland access to training facilities. The income value of this right of use access has not been accounted for during 2020-21 as a reliable measurement of rent payable is unable to be determined. This is because the ongoing arrangement includes a number of sites, varying utilisation at each site, varying condition of the buildings and facilities, and the costs borne by TAFE Queensland in the management of the facilities.

Due to COVID-19 business restrictions the department waived rental income on training facilities for the period of July 2020 to September 2020 for commercial business customers. The amount of rental income to 30 June 2021 that department has foregone is approximately $0.252 million.

B1-3 OTHER REVENUE

	2021 $'000	2020 $'000
Contributions to finance liability	**17 038**	16 605
Recoveries from grants programs	**13 773**	8 275
Total	**30 811**	24 880

Accounting policy – Other revenue

Recoveries from grants programs have been reviewed during the financial year 2020-21 and due to the nature of these transactions have been accounted for under AASB 15 *Revenue from Contracts with Customers*.

Contributions to finance liability for the Private Provision of Public Infrastructure (PPPI) arrangement are received in arrears of payments made by the department for this obligation and accounted for under AASB 1058 *Income of Not-for-Profit Entities* and are recognised on receipt.

Disclosure – Contributions to finance liability

The department, as a result of contractual agreements for the right of use access to the PPPI asset at Southbank Education and Training Precinct (SETP), receives from TAFE Queensland contributions. These contributions are towards the outflows associated with the precinct. Information regarding the amount of the contribution and conditions for variations are contained in schedules which form part of the agreement, refer to Note F3.

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2021 $'000	2020 $'000
Employee benefits		
Wages and salaries	**51 268**	54 021
Annual leave/ levy expenses	**6 063**	6 197
Long service leave levy	**1 224**	1 249
Employer superannuation contributions	**7 047**	7 113
Termination benefits*	**15**	91
Employee related expenses		
Fringe benefits tax	**67**	131
Workers' compensation premium	**177**	234
Staff transfer costs	**2**	-
Staff rental accommodation	**18**	18
Staff training	**261**	389
Total	**66 142**	69 443

*Termination benefits expenses relate to payment of post-employment expenses for staff, no redundancy payments were made in financial year 2020-21 or 2019-20

	2021 No.	2020 No.
Full-Time equivalent employees **	**537**	577

** Full-Time equivalent employee data as at 30 June 2021 (based upon the fortnight ending 2 July 2021).

Accounting policy – Wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the statement of financial position at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted values.

Accounting policy – Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue into future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Accounting policy – Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme (ALCS) and Long Service Leave Central Scheme (LSLCS) a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed back from the scheme quarterly in arrears.

Accounting policy – Superannuation

Post-employment benefits for superannuation are provided through defined contributions (accumulations) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined Contribution Plans – Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan – The liability for defined benefits is held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting policy – Workers' compensation premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employees' total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in Note F1.

B2-2 SUPPLIES AND SERVICES

	2021 $'000	2020 $'000
Building maintenance	**27 682**	36 768
Utilities	**3 844**	4 648
Equipment and building refurbishment	**1 362**	4 237
Consultants and contractors	**18 212**	17 631
Materials and running costs	**9 915**	10 270
Payments to shared service provider/inter-agency services	**1 485**	1 974
Computer costs	**6 575**	5 761
Travel	**452**	887
Office accommodation	**5 484**	5 335
Motor vehicle - QFleet	**555**	561
Lease expenses	**16**	54
Total	**75 582**	88 126

Accounting policy – Distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note B2-3.

Office accommodation and employee housing

Payments for non-specialised commercial office accommodation under the Queensland Government Accommodation Office (QGAO) framework and residential accommodation properties under the Government Employee Housing (GEH) program arise from non-lease arrangements with the Department of Energy and Public Works (previously known as Department of Housing and Public Works up to 12 November 2020), who has substantive substitution rights over the assets used within these schemes. Payments are expensed as incurred and categorised within Office accommodation in Note B2-2 and Staff rental accommodation in Note B2-1.

Lease expenses

Lease expenses include lease rentals for short-term leases, leases of low value assets and variable lease payments.

B2 EXPENSES (continued)

B2-3 GRANTS AND SUBSIDIES

	2021 $'000	2020 $'000
Recurrent		
Training and skills programs	**826 869**	811 019
Employment programs	**35 720**	43 532
Small business programs	**191 079**	18 557
Other grants and allowances to organisations	**37**	37
Capital		
State Government		
Training Centre Grants	**29 418**	600
Total	**1 083 123**	873 745

Accounting policy – Grants and subsidies

The department administers a number of programs where payments are made without expectation of an equal value in return. For the arrangement to be classified as grants or subsidies, consideration to the classification of the payment is based on the nature of the transaction and if there is any third-party recipient to the payment made. This distinguishes the arrangement from procurement transactions.

Disclosure – Additional grant programs

Additional grant programs have been implemented by the department directly due to COVID-19. Grant payments under the department's key priority of Small Business programs significantly increased in the 2020-21 financial year by $173.46 million (2019-20: $11.26 million).

B2-4 OTHER EXPENSES

	2021 $'000	2020 $'000
Insurance premium - QGIF	**1 397**	1 391
Queensland Audit Office- external audit fees for the audit of the financial statements (1)	**219**	180
Loss on disposal of property plant and equipment	**2 747**	867
Payments to other Queensland government departments	**-**	462
Other expenses	**156**	62
Total	**4 519**	2 962

Audit fees

(1) Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are estimated to be $0.199 million (2020: $0.199 million).

SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Imprest accounts	**-**	2
Cash at bank	**303 951**	290 781
Total	**303 951**	290 783

Accounting policy – Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June.

Disclosure – Undrawn facilities

On 11 May 2018, an overdraft facility was approved by Queensland Treasury for the department's main bank account. This facility is limited to $40 million and remains in effect permanently. This facility remained fully undrawn at 30 June 2021 and is available for use in the next reporting period. The current overdraft interest rate is 3.6% (2020: 3.75%).

C2 RECEIVABLES

	2021 $'000	2020 $'000
Current		
Trade debtors	**16 436**	10 909
Less: Loss allowance	**(5 705)**	(4 358)
	10 731	6 551
GST receivable	**2 068**	2 431
Long service leave reimbursements	**329**	253
Annual leave reimbursements	**1 239**	445
Sundry receivables	**892**	640
Total	**15 259**	10 320

Accounting policy – Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement on trade debtors is required within 30 days from invoice date.

Sundry receivables generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting policy – Impairment of receivables

The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the department's debtors, and relevant industry data form part of the department's impairment assessment.

The department's other receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables on the basis of low credit risk. Refer to Note D1-2 for the department's credit risk management policies.

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is over 120 days past due and the department has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

The amount of impairment losses recognised for receivables is $4.086 million (2019-20: $0.253 million).

Disclosures – Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to the department's receivables.

The department uses a provision matrix to measure the expected credit losses on trade debtors. Loss rates are calculated separately for groupings of customers with similar loss patterns. The department has determined there are two material groupings for measuring expected credit losses based on the customer profile for these revenue streams. These groupings are the Registered Training Organisations (RTO) which the department contracts with for the delivery of training services and Other Grant recipients.

The calculations reflect a historical observed default rate calculated using credit losses experienced on past transactions during the last three financial years for the groups.

Due to the nature of the receivables from the Other trade debtors, the department has revised the loss rate for this grouping based on the collectability of the outstanding debts.

Set out below is the credit risk exposure on the department's trade debtors broken down by the customer grouping and by ageing band, excluding any government trade debtors.

Impairment Group – Receivables from Trade Debtors (RTO's)

	2021			2020		
	Gross Receivable	**Loss Rate**	**Expected Credit Loss**	**Gross Receivable**	**Loss Rate**	**Expected Credit Loss**
Aging	**$'000**	**%**	**$'000**	**$'000**	**%**	**$'000**
Current	**141**	**12.10%**	**17**	371	0.0%	-
1 to 30 days overdue	**685**	**16.60%**	**114**	-	0.0%	-
31 to 60 days overdue	**1 891**	**18.70%**	**354**	127	0.0%	-
61 to 120 days overdue	**-**	**21.20%**	**-**	2 458	0.0%	-
> 120 days overdue	**7 158**	**57.05%**	**4 084**	3 498	81.63%	2 855
Total	**9 875**		**4 569**	6 454		2 855

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES (continued)

Impairment Group – Receivables from Other Grant Debtors

	2021			2020		
	Gross Receivable	Loss Rate	Expected Credit Loss	Gross Receivable	Loss Rate	Expected Credit Loss
Aging	**$'000**	**%**	**$'000**	**$'000**	**%**	**$'000**
Current	**-**	**0.00%**	**-**	-	0.0%	-
1 to 30 days overdue	**-**	**0.00%**	**-**	-	0.0%	-
31 to 60 days overdue	**-**	**0.00%**	**-**	-	0.0%	-
61 to 120 days overdue	**59**	**0.00%**	**-**	-	0.0%	-
> 120 days overdue	**1 904**	**47.70%**	**908**	2 179	69.0%	1 503
Total	**1 963**		**908**	2 179		1 503

Disclosure – Movement in loss allowance for trade debtors

	2021 $'000	2020 $'000
Loss allowance as at 1 July	**4 358**	4 129
Increase/(decrease) in allowance recognised in the operating result	**4 086**	238
Amounts written off during the year	**(2 739)**	(9)
Loss allowance as at 30 June	**5 705**	4 358

During the 2020-21 financial year all trade debtors were reviewed and where it has been determined that the long-term outstanding debt was unlikely to be collected by the department, it has been written off. This resulted in a decrease in the loss allowance percentages applied to the impairment groups.

Loss allowance for the current year relating to the department's receivables is $1.347 million (2019-20: $0.229 million).

Disclosures - Credit risk management practices

The department considers financial assets that are over 30 days past due to have significantly increased credit risk, and measures the loss allowance of such assets at lifetime expected credit losses instead of 12 month expected credit losses. The exception is trade receivables, for which the loss allowance is always measured at lifetime expected credit losses. The department's write off policy is disclosed above.

All financial assets with counterparties are considered to have low credit risk. This includes receivables from other Queensland Government agencies and Australian Government agencies. The department assumes that credit risk has not increased significantly for these low credit risk assets.

The department typically considers a financial asset to be in default when it becomes 120 days past due. However, a financial asset can be in default before that point if information indicates that the department is unlikely to receive the outstanding amount in full. The department's assessment of default does not take into account any collateral or other credit enhancements.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

Property, plant and equipment	at Fair Value Land	Buildings	at Cost Plant and Equipment	Work in Progress	Total
30 June 2021	**2021**	**2021**	**2021**	**2021**	**2021**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross	419 460	1 794 534	307	148 875	2 363 176
Less: Accumulated depreciation	-	(834 203)	(114)	-	(834 317)
Carrying amount at 30 June 2021	**419 460**	**960 331**	**193**	**148 875**	**1 528 859**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2020	425 766	942 409	78	136 947	1 505 200
Acquisitions (including upgrades)	-	-	97	68 857	68 954
Disposals	(949)	(1 804)	-	-	(2 753)
Transfers between classes	-	56 860	61	(56 929)	(8)
Net revaluation increments/(decrements) in asset revaluation surplus	-	16 691	-	-	16 691
Net revaluation increments/(decrements) in operating surplus/(deficit)	(5 357)	-	-	-	(5 357)
Depreciation expense	-	(53 825)	(43)	-	(53 868)
Carrying amount at 30 June 2021	**419 460**	**960 331**	**193**	**148 875**	**1 528 859**

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT (continued)

Property, plant and equipment	at Fair Value Land	Buildings	at Cost Plant and Equipment	Work in Progress	Total
30 June 2020	**2020**	**2020**	**2020**	**2020**	**2020**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross	425 766	1 776 595	318	136 947	2 339 626
Less: Accumulated depreciation	-	(834 186)	(240)	-	(834 426)
Carrying amount at 30 June 2020	**425 766**	**942 409**	**78**	**136 947**	**1 505 200**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2019	432 321	990 843	1 117	36 090	1 460 371
Acquisitions (including upgrades)	-	-	14	100 857	100 871
Transfers in from other Queensland Government entities	-	2 023	-	-	2 023
Disposals	(4 500)	(4 925)	(867)	-	(10 292)
Transfers between classes	-	80	(80)	-	-
Net revaluation increments/(decrements) in asset revaluation surplus	-	2 193	-	-	2 193
Net revaluation increments/(decrements) in operating surplus/(deficit)	(2 055)	-	-	-	(2 055)
Depreciation expense	-	(47 805)	(106)	-	(47 911)
Carrying amount at 30 June 2020	**425 766**	**942 409**	**78**	**136 947**	**1 505 200**

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-2 RECOGNITION AND ACQUISITION

Accounting policy – Recognition

Basis of Capitalisation and Recognition Thresholds

Items of property, plant and equipment with a historical cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings (including land improvements)	$10 000
Land	$1
Other	$ 5 000

Items with a lesser value are expensed in the year of acquisition.

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of complex assets

The department's complex assets are special purpose TAFE buildings.

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset.

On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant relative to the total cost of the complex asset. Components whose value exceeds 10% of the complex asset's total cost are separately identified as significant value components. Components valued at less than 10% of the complex asset's total are separately recorded only where a material difference in depreciation expense would occur.

When a separately identifiable component (or group of components) of significant value is replaced, the existing component is derecognised. The replacement component is capitalised when it is probable that future economic benefits from the significant component will flow to the department in conjunction with the other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed.

Components are separately recorded and valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets, and estimated useful lives, is disclosed in Note C3-5.

Accounting policy – Cost of acquisition

Historical cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the other entity immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised as assets and revenues at their fair value at the date of acquisition.

C3-3 MEASUREMENT USING HISTORICAL COST

Accounting policy

Plant and equipment is measured at historical cost in accordance with Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. The carrying amounts for such plant and equipment are assessed as not materially different from their fair value.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-4 MEASUREMENT USING FAIR VALUE

Accounting policy

Land and buildings (including land improvements such as sports facilities) are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulation impartment losses where applicable.

The cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Fair value for land is determined by establishing its market value by reference to observable prices in an active market or recent market transactions. The fair value of buildings is determined by calculating the current replacement cost of the asset.

Use of specific appraisals

Land and buildings assets are revalued by management each year to ensure that they are reported at fair value. Management's valuations incorporate the results from the independent revaluation program, and the indexation of the assets not subject to independent revaluation each year.

For the purposes of revaluation, the department for 30 June 2021 comprehensively revalued materially all land and building assets. A new program of revaluations has been implemented and includes the yearly revaluation of significant land and building assets.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Use of indices

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of these indices results in a valid estimation of the asset's fair value at reporting date. The State Valuation Service (SVS) supplies the indices used for various types of assets.

These indices are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. The results of interim indexations are compared to the results of the independent revaluation performed in the year to ensure the results are reasonable. This annual process allows management to assess and confirm the relevance and suitability of indices provided by SVS based on the department's own particular circumstances.

Fair Value Measure

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant characteristics of the assets/liabilities being valued. Significant unobservable data takes account of the characteristics of the department assets/liabilities, and includes internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Measurement Hierarchy

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements are categorised with the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-4 MEASUREMENT USING FAIR VALUE (continued)

Accounting for changes in fair value

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Basis for fair values of assets and liabilities

Land

Effective Date of Last Specific Appraisal:	30 June 2021 by State Valuation Services
Valuation Approach:	Market-based assessment. Fair Value Hierarchy Level 2.
Inputs:	Determining the fair value of land involved physical inspection and reference to publicly available data on recent sales of similar land in nearby localities in accordance with Industry standards.
Current Year Valuation Activity:	Approximately 64% of the department's land was independently valued. In determining the values, adjustments were made to the sales data to consider the location of the department's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. Overall, the adjustments averaged a decrease of 1.27% to land values. The remaining land assets have been indexed to ensure that values reflect fair value as at reporting date. State Valuation Service provided indices for each of these sites based on recent market transactions for local land sales. An average indexation of 1% has been applied to land parcels.

Buildings

Effective Date of Last Specific Appraisal:	30 June 2021 by State Valuation Services
Valuation Approach:	All purpose–built facilities are valued at current replacement cost, as there is no active market for these facilities.
Inputs:	State Valuation Services conducted physical inspections and applied construction costs based on recent tenders for typical specialised buildings supported by specialised Quantity Surveyor information. Fair Value Hierarchy Level 3.
Current Year Valuation Activity:	Approximately 66% of the department's buildings were independently valued. The current replacement cost was based on standard training facilities and specialised fit-out constructed by the department, adjusted for more contemporary design/construction approaches. Significant judgement was also used to assess the remaining service potential of these facilities, including the current physical condition of each facility. The remaining buildings were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2020 to June 2021) was a 4.49% increase. State Valuation Service have certified that the Building Price Index is the most appropriate measure for reflecting price changes in the department's buildings in the years when an independent valuation is not undertaken. Management is of the opinion that the continuing investment in general and specific priority maintenance would prevent any abnormal deterioration in asset values in the period between independent valuations.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-5 DEPRECIATION EXPENSE

Accounting policy

Land is not depreciated as it has an unlimited useful life.

In light of the nature and condition of sculptures, the valuers recommend these assets should not continue to be depreciated, Hence the replacement cost equates to fair value and this class of assets is not depreciated going forward.

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, progressively over its estimated useful life to the department.

Key judgement: The estimated useful lives of the assets are reviewed annually and, where necessary, are adjusted to better reflect the pattern of consumption and future service potential of the asset. In reviewing the useful life of each asset, factors such as asset usage and the rate of technical and commercial obsolescence are considered.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

It has been determined that the department controls buildings that by their nature require componentisation and the assignment of separate useful lives to their component parts. The three components of these buildings are: a) Shell; b) Fit-out; and c) Plant. The useful lives for these assets are disclosed in the table below.

Where assets have separately identifiable components that are subject to regular replacement, these are depreciated according to useful lives of each component.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful life of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of leases includes any option period where exercise of the option is probable.

Assets under construction (capital work-in-progress) are not depreciated until construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

For the department’s depreciable assets, the estimated amount to be received on disposal at the end of their useful life (residual value) is determined to be zero.

Depreciation rates

Key estimates: For each class of depreciable asset the depreciation rates are based on the following useful lives:

Class	Current useful life (years)	Class	Current useful life (years)
Building - Complex		**Building - Infrastructure**	
Buildings - Shell	18 - 80	Hard Infrastructure	31 - 81
Buildings - Fit Out	10 - 44	Soft Infrastructure	15 - 40
Buildings - Plant	10 – 44	Invisible Infrastructure	30 - 76
Building - Non-Complex	15 - 58	**Plant and Equipment**	
		Computer equipment	5
		Office equipment	5 - 10

C3-6 IMPAIRMENT

Accounting policy

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset’s recoverable amount under AASB 136 *Impairment of Assets*.

The asset’s recoverable amount is determined as the higher of the asset’s fair value less costs to sell and the asset’s value in use.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

C4 PAYABLES

	2021 $'000	2020 $'000
Current		
Trade creditors	**2 942**	3 534
Capital creditors	**51 298**	59 527
Fringe benefit tax and other taxes	**20**	55
Grants and subsidies payable	**49 726**	32 797
Deferred appropriation payable to Consolidated Fund	**103 037**	78 590
Equity payable to Consolidated Fund	**5 623**	698
Total	**212 646**	175 201

Accounting policy - Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured.

C5 INTEREST BEARING LIABILITIES

	2021 $'000	2020 $'000
Current:		
Finance liability - SETP	**4 017**	3 613
Total	**4 017**	3 613
Non-Current:		
Finance liability - SETP	**201 984**	206 001
Total	**201 984**	206 001

Accounting policy – Finance liabilities

Finance liabilities are initially recognised at fair value, plus any transaction costs directly attributable to the liability, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability to the amortised cost of the liability.

The fair value of finance liability is subsequently measured at amortised cost is set out in Note C5-3.

Any finance liability costs are added to the carrying amount of the finance liability to the extent they are not settled in the period in which they arise. Finance liabilities are split between current and non-current liabilities using the principles set out in the foreword and preparation information section of this financial report.

The department does not enter into transactions for speculative purposes, nor for hedging. No financial liabilities are measured at fair value through profit or loss.

C5-1 FINANCE LIABILITY

Finance terms and conditions

The finance liability of the department relates to the PPPI Arrangement - Southbank Education and Training Precinct (SETP) for a term of 34 years. The nature of the PPPI Arrangement has been reassessed under AASB 16 *Leases* and it has been concluded this arrangement is not a lease arrangement, but more in the nature of financing to construct and maintain the SETP. There have been no defaults or breaches of the liability agreement during the 2020-21 or 2019-20 financial years. Refer to Note F3 for details of the agreement.

C5 INTEREST BEARING LIABILITIES (continued)

C5-1 FINANCE LIABILITY (continued)

Interest rates

Interest on finance liabilities are recognised as an expense as it accrues on the outstanding liability. No interest has been capitalised during the current or comparative reporting period.

The fixed implicit interest rate for the finance liability is 10.64% (2019-20: 10.64%).

Security

No security is held over the finance liability, however contractual agreement sets out risk and impacts to the department in event of default. Refer to Note F3 for details.

C5-2 DISCLOSURE ABOUT SENSITIVITY TO INTEREST RATE MOVEMENTS

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 1 per cent from the year-end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase/ (decrease) of $3.040 million (2019-20: $2.908 million).

C5-3 FAIR VALUE DISCLOSURES FOR FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Finance liabilities relate to the Southbank Education and Training Precinct (refer to Note F3) and the fair value of the liability is calculated using discounted cash flow analysis and the effective interest rate and is disclosed below:

	2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value*
	$'000	**$'000**	$'000	$'000
Finance liabilities at amortised cost:				
Finance liability	**206 001**	**171 842**	209 614	186 312
Total	**206 001**	**171 842**	209 614	186 312

* The fair value amount provided in the department's financial statements against Finance liability for financial year 2020 was incorrect. The corrected comparative amount has been provided.

C6 PROVISIONS

	2021	2020
	$'000	$'000
Current:		
Training Services	**79 808**	76 092
Total	**79 808**	76 092

Accounting policy – Provisions

Provisions are recorded when the department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

Key estimates and judgements – Provisions

The department enters into contractual arrangements with registered training organisations (RTOs) of Skills Assure Supplier status. This status allows access to subsidised funding for the delivery of training and assessment for eligible students under approved Vocational and Education and Training (VET) programs in Queensland. As part of the contractual arrangements, RTOs can claim a 50% payment when a student was engaged in some learning activities but was subsequently withdrawn from a competency. The department recognises a training services provision for these RTOs' claims.

The department uses the VET activity data submitted by RTOs and applies historical trends to determine the withdrawal rates and other non-payable outcomes. This withdrawal rate in 2020-21 ranged from 26.23% to 33.1% across the programs (2019-20: 16.34% to 25.42%). The increase of $3.716 million in the current year was mainly due to an increase in the number of student enrolments across funded courses.

C7 EQUITY

C7-1 CONTRIBUTED EQUITY

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. Appropriations for equity adjustments is recognised as contributed equity by the department during the reporting and comparative year.

C7-2 APPROPRIATIONS RECOGNISED IN EQUITY

Reconciliation of payments from consolidated fund to equity adjustment

	2021 $'000	2020 $'000
Original budgeted equity adjustment appropriation	**(2 504)**	44 369
Supplementary amounts:		
Transfers from/(to) other headings - Variation in Headings	**720**	(10 065)
Lapsed equity adjustment	**-**	(36 372)
Equity adjustment receipts (payments)	**(1 784)**	(2 068)
Plus: Opening balance of equity adjustment payable	**698**	11 711
Less : Closing balance of equity adjustments payable	**(5 623)**	(698)
Equity adjustment recognised in contributed equity	**(6 709)**	8 945
Variance between original budget and actual equity adjustment appropriation	**4 205**	35 424

C7-3 ASSET REVALUATION SURPLUS BY ASSET CLASS

Accounting policy

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

	Land $'000	Buildings $'000	Total $'000
Balance at 1 July 2019	-	202 833	202 833
Revaluation increments	7 051	63 683	70 734
Revaluation decrements	(9 106)	(61 490)	(70 596)
Recognised in other comprehensive income[1]	2 055	-	2 055
	-	2 193	2 193
Balance at 30 June 2020	**-**	**205 026**	**205 026**

	Land $'000	Buildings $'000	Total $'000
Balance at 1 July 2020	-	205 026	205 026
Revaluation increments	14 067	54 983	69 050
Revaluation decrements	(19 424)	(38 292)	(57 716)
Recognised in other comprehensive income[1]	5 357	-	5 357
	-	16 691	16 691
Balance at 30 June 2021	**-**	**221 717**	**221 717**

(1) As a result of revaluation in the 2020-21 and 2019-20 financial years, a net decrease has been recognised in the comprehensive income of the department. Refer to Note C3-1.

SECTION 4
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FINANCIAL RISK DISCLOSURES

D1-1 FINANCIAL INSTRUMENT CATEGORIES

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument. The department has the following categories of financial assets and financial liabilities:

	Note	2021 $'000	2020 $'000
Financial assets			
Cash and cash equivalents	C1	**303 951**	290 783
Financial assets at amortised cost:			
Receivables	C2	**15 259**	10 320
Total financial assets		**319 210**	301 103
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	C4	**212 646**	175 201
Finance liability	C5	**206 001**	209 614
Total financial liabilities at amortised cost		**418 647**	384 815

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D1-2 FINANCIAL RISK MANAGEMENT

Risk Exposure

Financial risk management is implemented pursuant to Government policy and seeks to minimise potential adverse effects on the financial performance of the department.

The department's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	Definition	Exposure
Credit Risk	Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The maximum exposure to credit risk is in respect of its receivables (Note C2).
Liquidity Risk	Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in payables (Note C4) and finance liability (Note C5).
Market Risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance liability (Note C5).

D1 FINANCIAL RISK DISCLOSURES (continued)

D1-2 FINANCIAL RISK MANAGEMENT (continued)

Risk Measurement and Management Strategies

The department measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method	Risk Management Strategies
Credit Risk	Ageing analysis	The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity Risk	Sensitivity analysis	The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has minimum but sufficient funds available to meet employee and supplier obligations as they fall due.
Market Risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy articulated in the department's Financial Management Practices Manual.

D1-3 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in this table differ from the amounts included in the statement of financial position that are based on discounted cash flows.

	2021	**Contractual Maturity**		
	Total	**<1 year**	**1 - 5 years**	**> 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Financial Liabilities				
Payables	**212 646**	**212 646**	**-**	**-**
Finance liability	**509 709**	**28 317**	**113 269**	**368 123**
Total	**722 355**	**240 963**	**113 269**	**368 123**

	2020	Contractual Maturity		
	Total	<1 year	1 - 5 years	> 5 years
	$'000	$'000	$'000	$'000
Financial Liabilities				
Payables	175 201	175 201	-	-
Finance liability	538 026	28 317	113 269	396 440
Total	713 227	203 518	113 269	396 440

D2 CONTINGENCIES

Litigation in Progress

At 30 June 2021, there were no cases filed in the courts naming the State of Queensland acting through the Department of Employment, Small Business and Training as defendant.

The maximum exposure of the department under policies held with the Queensland Government Insurance Fund is $10 000 for each insurable event.

There are currently no cases of general liability and WorkCover common law claims being managed by the department.

Financial Guarantees and Associated Credit Risks

The department paid a total of $10.65 million to the Construction Industry Skills Centre Pty Ltd (CISC) between 1994 -1998. The amount is only recoverable in circumstances contingent upon the winding up of CISC and the related trust. The department and the Queensland Training Construction Fund (QTCF) (a trust) are equal shareholders ($1 share each) in CISC and founders of the fund.

Native Title Claims over Departmental Land

Native title claims may have the potential to impact upon properties of the department. A number of departmental properties are occupied under a “reserve” tenure, validly created prior to 23 December 1996, and therefore any development undertaken in accordance with gazetted purposes should minimise the potential of native title claims.

At 30 June 2021, two native title claims have been received in respect of departmental land covering a total area of approximately 40 hectares in the Sunshine Coast and Wide Bay regions. Together the land has a carrying amount of $2.82 million. At reporting date, it is not possible to make an estimate of any probable outcome of these claims, or any financial effects.

D3 COMMITMENTS

Capital expenditure commitments

Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2021 $'000	2020 $'000
Buildings		
Not later than one year	**39 912**	19 538
Later than one and not later than five years	**3 950**	-
Total Capital expenditure commitments - Buildings	**43 862**	19 538

Grant commitments

Commitments for grants at reporting date are payable:

	2021 $'000	2020 $'000
Not later than one year	**34 840**	31 293
Later than one and not later than five years	**21 901**	13 022
Total Grant commitments	**56 741**	44 315

Other commitments (Public Private Partnership, Priority Purchasing Program and other)

Commitments for other expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2021 $'000	2020 $'000
Not later than one year	**38 863**	28 516
Later than one and not later than five years	**96 389**	97 557
Later than five years	**367 198**	396 900
Total Other commitments	**502 450**	522 973

Fixed operating costs for Public Provision of Private Infrastructure for Southbank Education and Training Precinct – Axiom, have been included in the estimates of “Other commitments” (refer also to Note F3).

D4 EVENTS AFTER THE BALANCE DATE

No events after the balance date have occurred for the department.

D5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

All other Australian accounting standard and interpretations with future effective dates are either not applicable to the department's activities or have no material impact on the department.

SECTION 5
NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES AND SIGNIFICANT FINANCIAL IMPACTS FROM COVID-19

This section contains explanations of major variances between the department's actual 2020-21 financial result and the original budget presented to Parliament.

SIGNIFICANT FINANCIAL IMPACTS – COVID-19 PANDEMIC

The following significant transactions were recognised by the department during 2020-21 financial year in the response to the COVID-19 pandemic.

Operating Statement	2021 $'000	2020 $'000
Significant expense transactions arising from COVID-19.		
Small Business Adaption grants package	**189 699**	11 741
Small Business COVID-19 assistance package	**17**	500
Chamber of Commerce and Industry Qld	**840**	360
Queensland Small Business Commissioner	**1 703**	164
Jobs Finder online portal and Training	**1 473**	133
Workers Assistance Package delivery and impact assessment	**3 867**	395
National Partnership Job Trainer and Infection control funds	**12 662**	-
Total	**210 261**	**13 293**
Additional revenue received to fund COVID-19		
Additional revenue received to fund COVID-19	**210 261**	12 769

Balance Sheet	2021 $'000	2020 $'000
Significant liabilities arising from COVID-19		
Appropriation payable to the Consolidated Fund for:		
Small Business Adaption grants package	**2 310**	69 259
Queensland Small Business Commissioner	**147**	466
Chamber of Commerce and Industry Queensland	**360**	-
Small Business COVID-19 assistance package	**133**	150
Jobs Finder online portal and Training	**9 595**	3 017
Workers Assistance package impact assessment	**20 078**	125
National Partnership Job Trainer and Infection Control Fund	**15 379**	-
Total	**48 002**	**73 017**

E1 BUDGETARY REPORTING DISCLOSURES AND SIGNIFICANT FINANCIAL IMPACTS FROM COVID-19 (continued)

E1-1 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF COMPREHENSIVE INCOME

User charges and fees	The increase in User charges and fees is mainly due to a back pay of rent from the Department of Education for the Queensland Pathways Programs.
Grants and contributions	The decrease in Grants and contributions is mainly due to the timing of funding received from the Queensland Reconstruction Authority for the North Queensland Monsoon event to support various small business recovery efforts.
Other revenue	The increase in Other revenue relates to higher than anticipated grant expenditure recoveries mainly in the Skilling Queenslanders for Work and Certificate 3 Guarantee programs as a result of compliance audits and final grant acquittals.
Employee expenses	Employee expenses are under spent mainly due to delays experienced in recruiting.
Supplies and services	The decrease in Supplies and services is mainly due to revised delivery schedules and milestone payments across various programs including the Queensland Business Launch Pad, Vocational Education and Training support program, First Nations Training Strategy, Social Enterprise Jobs Fund and the North Queensland Monsoon recovery program.
Grants and subsidies	The decreased grants expenditure is mainly due to lower demand and the timing of payments for various programs scheduled for the next financial year, including Back to Work, Skilling Queenslanders for Work, various COVID-19 related initiatives such as Workers Assistance Program initiatives and the Australian Government Job Trainer and Infection Control Training Funds.
Depreciation and amortisation	The increase is due to the effect of the 2019-20 revaluation program and the department capitalising buildings throughout the year, with asset values increasing and adjustments to useful lives impacting on annual depreciation expenses.
Impairment losses	The variance arises from an unbudgeted impairment of receivables mainly due to the uncertainty around grant recoveries from Registered Training Organisations and other grant recipients for various programs including Certificate 3 Guarantee, Skilling Queenslanders for Work and the Back to Work grants programs.
Other expenses	The increase in Other expenses is mainly due to losses on disposals of buildings as a result of building demolitions undertaken as part of the department's ongoing renewal and revitalisation of training infrastructures across the state.
Revaluation decrement	The variance arises from an unanticipated and unbudgeted revaluation decrement during the year for the departments land assets. The movement is predominately due to a decrease in value of $14 million at Southbank offset by increments at Brackenridge of $6 million and at Pimlico of $3 million.

F1 KEY MANAGEMENT PERSONNEL REMUNERATION

Details of Key Management Personnel (KMP)

The department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. The Minister is the Honourable Diana Farmer MP, Minister for Employment and Small Business and Minister for Training and Skills Development.

The following details for non- Ministerial KMP personnel includes those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2020-21 and 2019-20. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position Responsibility
Director-General	Directs the overall efficient, effective and economical administration of the department. The position also sets the department's strategic direction and priorities.
Deputy Director-General, Engagement	Provides strategic leadership and direction of the department's regional service delivery, engagement and communication approaches with industry, peak bodies, small businesses and students, the regulation of Queensland's apprenticeship and traineeship system, and secretariat support for the Jobs Queensland Board.
Deputy Director-General, Investment	Provides strategic leadership and direction of the department's program delivery, compliance and contract management of more than $1B employment, small business and training and skills investment, development of training infrastructure strategy and delivery.
Deputy Director-General, Strategy	Provides strategic leadership and direction of department-wide strategy, strategic policy and data insights by driving collaborative and innovative outcomes.
Head of Corporate Services	Provides strategic leadership and direction for the department's corporate services.

Key Management Personnel Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the department's other key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for those key management personnel comprise the following components:

Short term employee expenses which include:

- salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position (including any higher duties or allowances earned during that time); and
- non-monetary benefits – consisting of provision of vehicle and car parking together with fringe benefits tax applicable to the benefit.

Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.

Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

F1 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Key Management Personnel Remuneration Expenses

The following disclosures focus on the expenses incurred by the department attributable to non-Ministerial key management personnel during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

2020-21

Position (date resigned if applicable)	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	$'000
Director-General[1] from 23/11/2020	246	2	5	25	-	278
Director-General to 22/11/2020	134	2	3	16	-	155
Deputy Director-General, Engagement [3]	232	4	5	27	-	268
Deputy Director-General, Investment [3]	227	4	5	24	-	260
Deputy Director-General, Strategy[2] from 26/11/2020	195	2	3	16	-	216
Deputy Director-General, Strategy To 02/10/2020	83	1	2	7	-	93
Head of Corporate Services [4, 5]	204	4	4	20	-	232

(1) DG appointed to role after State Election.

(2) DDG, Strategy appointed to role after the State Election.

(3) DDG, Engagement and DDG, Investment acted in the role of DG for periods less than 4 weeks during the financial year.

(4) Acting Head of Corporate Services was officially appointed to the role from 1 June 2021.

(5) Acting Head of Corporate Services was renumerated (Short-term Monetary expenses $0.037 million) for extended responsibilities, including minor administrative duties of DDG Strategy during 3 October 2020 to 25 November 2020.

F1 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Key Management Personnel Remuneration Expenses (continued)

2019-20

Position (date resigned if applicable)	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	$'000
Director-General	324	5	8	41	-	378
Deputy Director-General, Engagement from 02/01/2020	129	2	3	13	-	147
Deputy Director-General, Engagement[1] to 07/01/2020	131	2	3	13	-	149
Deputy Director-General, Investment[1] from 07/01/2020	106	2	2	12	-	122
Deputy Director-General, Investment (Acting) from 28/10/2019 to 07/01/2020	52	1	1	4	-	58
Deputy Director-General, Investment to 28/10/2019	81	2	2	8	-	93
Deputy Director-General, Strategy[2]	271	5	6	29	-	311
Head of Corporate Services – (Acting) [3,4] from 27/02/2020	80	2	2	7	-	91
Head of Corporate Services[3] to 01/05/2020	175	4	4	17	36	236

(1) DDG Engagement moved to the DDG Investment role in January 2020.

(2) DDG Strategy relieved in the role of DG for the period 30 November 2019 to 2 January 2020.

(3) Head of Corporate Services was on extended leave from 14 February to 1 May 2020.

(4) Acting Head of Corporate Services amounts includes remuneration for relieving in the role from 2 January to 16 January 2020.

Performance Payments

Key Management Personnel do not receive performance or bonus payments.

F2 RELATED PARTY TRANSACTIONS

Transactions with people/ entities related to KMP

The department had no related party transactions during 2020-21 with people and entities related to Key Management Personnel.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue (Note B1-1) and equity injections (Notes C7-1 and C7-2), both of which are provided in cash via Queensland Treasury.

The department has an overdraft facility approved by Queensland Treasury and Note C1 outlines the key terms and conditions of the facility.

Grants provided by the department to other State government entities was approximately 33% (2019-20: 42%), with the majority paid to TAFE Queensland being for the state contribution grant and delivery of VET programs.

F3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT

F3-1 Accounting policy

The private provisions of public infrastructure arrangement between the department and Axiom Education Queensland Pty Ltd does not fall within scope of AASB 1059 *Service Concession Arrangements: Grantors* as the management of public services delivered remain the responsibility of the department. Disclosures are included in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's financial reporting requirements under FRR 5D – *Service Concession Arrangements and Other Public-Private Partnerships*.

F3-2 Private Provision of Public Infrastructure (PPPI) Agreement

The PPPI within the table below is a social infrastructure arrangement whereby the department pays for the third-party use of the infrastructure asset through regular service payments to respective partners over the life of the contract.

The land and buildings are owned by the department and are recognised as Property Plant and Equipment (PPE). The Southbank Education and Training Precinct (SETP) buildings are depreciated in accordance with the department's policy for the PPE Buildings' asset class, refer Note C3.

The department recognises the future payments for the construction of the buildings as a financial liability. The monthly service payments are split between the capital component to affect the systematic write down of the liability over the term of the agreement, and the financing component which will be recognised as an expense when incurred. Other components such as facilities management, maintenance, and insurance will be expensed when incurred and are reflected Note D3 as a commitment.

PPPI Arrangement	**Southbank Education and Training Precinct (SETP) – Axiom – Public Private Partnership**
Entered Into Contract	April 2005
Partner	Axiom Education Queensland Pty Ltd
Agreement Type	Design, construct, maintain, and finance SETP
Agreement Period	34 years
Financing	Finance during the design and construction phases was provided by JEM (Southbank) Pty Ltd.
Arrangement	The department will pay abatable and undissected service payments to Axiom for the operation, maintenance, and provision of the precinct. Axiom is granted the right to enter and operate on the site and is required to maintain the facilities to a high standard.
Construction Commencement	July 2005
Construction Completed	31 October 2008
Variable Costs	No variable costs for the life of the contract.
Risks during the Concession Period	Axiom has accepted site risks for existing structures DESBT bears the risks associated with performance specifications and changes to current and future requirements of the specifications including operating and maintenance risks. DESBT is also exposed to risks associated with early termination, market value, sponsor and financial requirements, and rehabilitation of the site.

F3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

F3-3 Private Provision of Public Infrastructure – Cash Flow

The below estimated cash flow is in respect of the specified income and payments required under the contractual agreement for Southbank Education and Training Precinct - Axiom.

	2021 $'000	2020 $'000
Estimated cash flows - Fixed costs		
Outflows		
Not later than 1 year	**(43 058)**	(39 176)
Later than 1 year but not later than 5 years	**(185 525)**	(187 244)
Later than 5 years but not later than 10 years	**(238 951)**	(249 783)
Later than 10 years	**(349 363)**	(426 853)
Estimated net cash flow - Fixed costs	**(816 897)**	(903 056)
Estimated cash flows - Variable Costs		
Inflows		
Not later than 1 year	**16 762**	16 471
Later than 1 year but not later than 5 years	**68 902**	68 507
Later than 5 years but not later than 10 years	**92 156**	93 598
Later than 10 years	**159 709**	192 477
Estimated net cash flow - Variable Costs	**337 529**	371 053
Total Estimated Net Cashflow	**(479 368)**	(532 003)

Disclosure about Private Provision of Public Infrastructure Arrangement Cash Flows

Fixed costs are based on a risk free rate of 1.52 per cent (2020: 0.92%).

Southbank Education and Training Precinct PPP have no variable costs associated with the contractual agreement.

F4 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY

Accounting standards applied for the first time

No new accounting standards or interpretations that apply to the department for the first time in 2020-21 have any material impact on the financial statements.

AASB 1059 *Service Concession Arrangements: Grantors* first applies to financial statements in 2020-21. The department does not currently have any arrangements that would fall within the scope of AASB 1059.This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

Analysis of the department's contractual arrangement with Axiom Education Queensland Pty Ltd for the design, construction, maintenance and finance agreement of the Southbank Education and Training Precinct (refer Note F3), indicate that this arrangement does not meet the criteria for a service concession arrangement as defined by this standard.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21

F5 TAXATION

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from all forms of Commonwealth taxation with the exception of Fringe Benefits Tax (FBT), and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised in Note C2.

F6 CLIMATE RISK DISCLOSURE

Climate Risk Assessment

The department has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

Current Year Impacts

No adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the financial year.

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 38 the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

(b) the financial statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Employment, Small Business and Training for the financial year ended 30 June 2021, and of the financial position of the department at the end of that year; and

The Director-General, as the Accountable Officer of the department, acknowledge(s) responsibility under section.7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Stephen Blatchford, CPA

A/Chief Finance Officer

Department of Employment, Small Business and Training

Date: 20/08/2021

Warwick Agnew

Director-General

Department of Employment, Small Business and Training

Date: 20/08/'21

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Employment, Small Business and Training.

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Employment, Small Business and Training.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2021, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the 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 department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of buildings ($960.3 million as at 30 June 2021)

Key audit matter	How my audit addressed the key audit matter

The Department of Employment, Small Business and Training (the department) specialised buildings were measured at fair value at balance date using the current replacement cost method.
 	
The department performed a comprehensive revaluation of approximately two-thirds of its buildings using independent valuers with remaining assets being revalued using indexation. It is the department's policy to conduct revaluations on this basis annually. This is consistent with the department's intention to implement a rolling revaluation program.
 	
The current replacement cost method comprises:
• Gross replacement cost, less
• Accumulated depreciation.
 	
For comprehensively revalued buildings, the department applied unit rates provided by an independent quantity surveyor to derive gross replacement cost. These unit rates require significant judgement in relation to:
 	
• identifying the components of buildings with separately identifiable replacement costs
• specifying the unit rate categories based on building and component types with similar characteristics
• assessing the current replacement cost for each unit rate category having consideration for more contemporary design/ construction approaches.
 	
For buildings not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.
 	
The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
	My procedures for buildings comprehensively revalued included, but were not limited to:
	• assessing the adequacy of management's review of the valuation process
	• obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness with reference to common industry practice
	• assessing the competence, capability and objectivity of the experts used by the department
	• on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit cost rates including:
	  – modern substitute (including locality factors and on-costs)
	  – adjustment for excess quality or obsolescence.
	
	For buildings indexed, my procedures included, but were not limited to:
	• evaluating the relevance and appropriateness of the indices used for changes in Building Price Index inputs by comparing to other relevant external indices
	• reviewing the appropriate application of these indices to the remaining assets of the portfolio.
	
	All building's useful life estimates were reviewed for reasonableness by:
	• reviewing management's annual assessment of useful lives
	• ensuring that no component still in use has reached or exceeded its useful life
	• reviewing formal asset management plans, and enquired of management about whether these plans remain current
	• where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence
	• ensuring that management has updated accumulated depreciation this year for changes in remaining useful lives identified.

Responsibilities of the department for the financial report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Accountable Officer is also responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the department or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 the 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. This is not done for the purpose of expressing an opinion on the effectiveness of the department's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the department to cease to continue as a going concern.

- 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.

I communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Officer, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

a) I received all the information and explanations I required.
b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the department's transactions and account balances to enable the preparation of a true and fair financial report.

24 August 2021

Bhavik Deoji
as delegate of the Auditor-General

Queensland Audit Office
Brisbane