Queensland Treasury

ANNUAL REPORT
2020–2021

Queensland Government

13 September 2021

The Honourable Cameron Dick MP
Treasurer and Minister for Investment

1 William Street
Brisbane Qld 4000

Dear Treasurer

I am pleased to submit for presentation to the Parliament the *Queensland Treasury Annual Report 2020–2021* and financial statements for Queensland Treasury.

I certify that this annual report complies with:

+ the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*
+ the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements is provided at page 110 of this annual report.

Yours sincerely

Leon Allen
Under Treasurer

Translating and interpreting assistance

The Queensland Government is committed to providing accessible services to Queenslanders from all cultural and linguistic backgrounds. If you have difficulty in understanding the annual report, you can contact us on telephone (07) 3035 3503 and we will arrange an interpreter to effectively communicate the report to you.

Licence

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About our annual report

The *Queensland Treasury Annual Report 2020–21* is an integral part of our corporate governance framework and one of the main tools we use to ensure we are accountable to the Queensland Parliament and the community about our activities. This report details our achievements, performance and financial position for the 2020–21 financial year. It aligns with the Queensland Government's *Unite and Recover – Queensland's Economic Recovery Plan*, the *Queensland Treasury Strategic Plan 2021–2025* and our *Service Delivery Statement 2020–21*. It also provides information on our future direction, people management and corporate governance processes.

Find our report online

This report is available at treasury.qld.gov.au/resources/

For enquiries about this annual report, contact the Manager, Corporate Performance on (07) 3035 3255 or via communications@treasury.qld.gov.au.

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Under Treasurer's report

I am pleased to deliver the 2020–21 Annual Report for Queensland Treasury.

During 2020–21, Treasury played a lead role in the government's response to the unprecedented challenges of COVID-19 with a clear focus on economic recovery and positioning the state for sustainable growth.

Based on the tremendous efforts of its people, and in collaboration with its partner agencies, the department helped deliver 2 Budgets, a COVID-19 Fiscal and Economic Review, and an update to Queensland's COVID-19 Economic Recovery Plan within a 10-month period. Underpinning this work was the government's recovery plan of more than $14.2 billion of initiatives supporting Queenslanders across the state, and driving economic recovery and creating jobs.

Key achievements in 2020–21 included:

+ economic analysis and policy advice on the impacts of COVID-19 on the economy to inform the government's response to the crisis
+ leading the establishment of the Queensland Future Fund, Debt Retirement Fund, Housing Investment Fund, Carbon Reduction Fund and the Path to Treaty Fund
+ actively engaging in commercial and investment opportunities, generating or retaining 2,336 Queensland jobs and $1.3 billion in capital expenditure
+ progressing the Build-to-Rent Pilot project, boosting jobs in the construction sector and increasing access to affordable housing
+ administering the $2 billion Renewable Energy and Hydrogen Jobs Fund and establishing the $100 million Business Investment Fund
+ managing the new Invested in Queensland program with the aim of creating 5,000 ongoing jobs over the 10 year life of the program
+ opening a new Office of State Revenue Debt Management Centre, collecting $38.3 million in debt from fines and penalties in its first 6 months of operation
+ developing a new Charter of Fiscal Responsibility – positioning Queensland to support recovery and fiscal repair.

Treasury coordinated the government's Savings and Debt Plan to drive efficiency in government services, and achieve $3 billion in savings over 4 years. Our agency has proactively supported these savings measures and total savings achieved by Treasury to date have been $15.3 million.

The Queensland economy has recovered well from COVID-19, with a range of economic indicators rebounding to higher than their pre-pandemic level. Key amongst these has been a welcome increase in employment, which rose by 2.4 per cent (or around 60,000 persons) in 2020–21. However, several sectors within the economy continue to face challenges, including services exports, business investment and tourism.

Despite these challenges, with the focus on improving Queensland's productive capacity and competitiveness, we continue to forecast that Queensland's economy is expected to return to strong positive growth in 2021–22 and subsequent years.

Strong partnerships with agencies and stakeholders continue to be a key to our success in achieving our vision of a strong economy for all Queenslanders. Treasury has valued the opportunity to partner with the Australian Government, and other jurisdictions, in navigating the economic impacts of the COVID-19 pandemic over the past year.

We welcomed Investment Facilitation and Partnerships into our organisation in November 2020. Introducing an investment arm to our organisation has firmly established our role in attracting and stimulating investment in priority industries to create jobs and grow the Queensland economy. The Office of Productivity and Red Tape Reduction was established within Treasury in June 2021 to drive the government's productivity agenda while continuing to deliver regulatory review functions across government.

I commend the excellent service shown by Treasury's workforce during these uncertain times, and know that our commitment and professionalism place us in a strong position to continue our central role in providing expert advice and services to the government.

Leon Allen
Under Treasurer

Our performance

Fiscal

Service standards **Fiscal coordination and budget strategy development**	**2020–21 Target/estimate**	**2020–21 End of financial year actual**
Effectiveness measure		
Achievement of the government's fiscal principles[1]	New measure	New measure
Efficiency measure		
Average cost per hour of advice and support output	$122.05	$121.00
Service standards **Financial Provisioning Scheme**		
Effectiveness measure		
Overall stakeholder experience in using processes associated with the Financial Provisioning Scheme	90%	93%
Efficiency measure		
Cost to manage the state's resource sector estimated rehabilitation cost risk	New measure	New measure

Notes:

1. *This new measure is replacing the individual measures relating to the fiscal principles which have been updated by the government to address the impact of the COVID-19 pandemic and associated health restrictions that have curtailed economic activity.*

Our performance

Economics and policy

Service standards **Economic and revenue policy, analysis and forecasting**	**2020–21 Target/estimate**	**2020–21 End of financial year actual**
Effectiveness measure		
Stakeholder and customer satisfaction with Economic Strategy outputs	80%	71%
Efficiency measure		
Average cost per hour of advice and support output	$104.72	$103.31
Service standards **Agency policy and partnerships**[1]		
Effectiveness measure		
Overall customer satisfaction with policy and performance advice provided	75%	87%
Efficiency measure		
Average cost per hour of advice and support output	$98.23	$97.16
Service standards **Statistical services and data analytics**		
Effectiveness measure		
Stakeholder and customer satisfaction with Queensland Government Statistician outputs (rated satisfied or very satisfied)	95%	100%
Efficiency measure		
Average cost per hour of advice and support output	$94.51	$95.08

Notes:

1. *This service area has been renamed from Policy and partnerships: line agencies, to better reflect the service operations of Queensland Treasury.*

Commercial and investment[1]

Service standards **Commercial projects**	**2020–21 Target/estimate**	**2020–21 End of financial year actual**
Effectiveness measure		
Overall customer satisfaction with advice and support provided	80%	76%
Efficiency measure		
Average cost per hour of project services	$114.25	$117.09
Service standards **Shareholder services**		
Effectiveness measure		
Overall customer satisfaction with advice and support provided	80%	78%
Efficiency measure		
Average cost per hour of advice and support output	$98.73	$102.51
Service standards **Investment facilitation and partnerships**		
Effectiveness measure		
Value of capital investment enabled through project facilitation[2]	$1.5B	$1.3B
Estimated number of jobs enabled through project facilitation	1,715	2,336
Efficiency measure		
Capital investment enabled per dollar spent on project facilitation services	New measure	New measure

Notes:

1. *This service area has been renamed from 'Commercial Services' to 'Commercial and Investment' to accommodate machinery-of-government changes with the transfer of Investment Facilitation and Partnerships to Queensland Treasury.*
2. *The variance between 2020–21 Target/estimate and Actual is mainly attributable to a delay in finalisation of the Forest Wind Farm project partially offset by other new projects.*

Our performance

Revenue management

Service standards **Revenue services**	**2020–21 Target/estimate**	**2020–21 End of financial year actual**
Effectiveness measure		
Total revenue dollars administered per dollar expended – accrual[1]	$150	$199
Customer satisfaction with services provided	75%	74%
Efficiency measure		
Average compliance revenue assessed per dollar cost of delivering a compliance program[2]	$10.85	$9.56
Service standards **Debt collection services**		
Effectiveness measure		
SPER clearance rate (finalisations/lodgements)	95%	102%
Average overdue debt as a percentage of total revenue collected	2%	1.4%
Efficiency measure		
Average cost per $100 of revenue and penalty debt collected	New measure	New measure
Discontinued measures		
Average cost per $100 collected[3]	$9.40	$9.58

Notes:

1. *The increase between 2020–21 Target/estimate and Actual is due to an increase of revenue collections and grants paid during 2020–21.*
2. *The 2020–21 Actual is calculated by averaging the efficiency rates for the 3 prior years. Efficiency has increased because of the impacts from new technology in identifying potential non-compliance.*
3. *Measure previously reported under Revenue Services section. This measure is solely penalty debt based and has been replaced by 'Average cost per $100 of revenue and penalty debt collected'. The method for calculating the measure remains unchanged.*

About us

“Our vision is a strong economy for all Queenslanders.”

Values

Treasury’s strength in fulfilling our vision is drawn from the public service values:

+ customers first
+ ideas into action
+ unleash potential
+ be courageous
+ empower people.

These values are the foundation for Treasury’s purpose of driving government priorities through our expert advice and services.

Services

As a central agency established in 1859, Treasury leverages a government-wide perspective to provide advice and services to clients, and partners with agencies for better outcomes in the economy and state finances, revenue, and commercial and investment services.

Read more about Treasury’s services in the service reports on pages 15 to 17.

Statutory and other bodies

Treasury’s work is complemented by the following bodies:

+ Queensland Competition Authority
+ Motor Accident Insurance Commission
+ Nominal Defendant
+ National Injury Insurance Agency (Queensland)
+ Queensland Treasury Corporation.

These organisations produce their own annual reports.

Information and records management

Treasury continues its commitment to quality information and records management within an embedded information security management system (ISMS) to mitigate Treasury’s cyber security risk profile. Treasury strives to equip its people with modern and effective data, analytic systems, processes and tools, providing the support and policies to use them, and recognising its obligations under the *Public Records Act 2002*, the *Financial and Performance Management Standard 2019* and the whole-of-government record governance policy and guidelines.

Information security

As part of the mandatory ISMS annual reporting process, the Under Treasurer attested to the appropriateness of the information security risk management within Treasury to the Queensland Government Chief Information Security Officer, noting that appropriate assurance activities have been undertaken to inform this opinion and Treasury’s information security risk position.

Machinery-of-government changes

On 12 November 2020, the Investment Facilitation and Partnerships functions of the Department of State Development, Infrastructure, Local Government and Planning were transferred to Queensland Treasury to firmly establish our central role in attracting and stimulating investment in priority industries to create jobs and grow the Queensland economy.

On 2 June 2021, the Queensland Productivity Commission was abolished, and the Office of Productivity and Red Tape Reduction was established within Treasury to drive the government’s productivity agenda while continuing to deliver regulatory review functions across government.

Managing our organisation

The government's fiscal strategy

The government's fiscal strategy in the 2020–21 Queensland Budget prioritised economic recovery alongside targeted expenditure and capital investment to position the state well for fiscal repair, supporting ongoing and new government commitments since the onset of COVID-19.

The state's finances are managed in line with the government's fiscal principles set out in the Charter of Fiscal Responsibility. Delivery of the 2020–21 Queensland Budget prompted the review of the charter's fiscal principles for the 2021–22 Budget. The new charter will guide fiscal recovery in the medium term, addressing key areas including debt burden, affordable expenditure growth, funding of capital expenditure, competitive taxation, and retaining the long-standing commitment to targeting full funding of superannuation and workers' compensation liabilities.

Into the future, the government will continue to respond to the ongoing impacts and emerging risks of COVID-19. Further, the government's fiscal strategy will focus on improving the state's productivity and competitiveness to drive ongoing private sector growth and jobs.

Unite and Recover – Queensland's Economic Recovery Plan

Treasury continues to play a key role in delivering Queensland's Economic Recovery Plan, which is firmly focused on protecting the health of Queenslanders, creating jobs and working together to drive sustainable economic growth. Our priorities include growing our regions and manufacturing industries, backing small businesses, driving investment in infrastructure, and investing in skills and training opportunities for Queenslanders.

Our leaders

Leon Allen
Under Treasurer

Leon was appointed acting Under Treasurer in May 2021. He returned to Queensland Treasury in May 2020 after 13 years with the Institutional Banking and Markets division of the Commonwealth Bank of Australia where he held senior leadership positions both domestically and internationally.

Dennis Molloy
Acting Deputy Under Treasurer, Economics and Fiscal

Dennis was appointed acting Deputy Under Treasurer in May 2021. He has extensive experience in both the Queensland and Australian governments in economics and public policy, with a particular interest in policies that drive economic growth and achieve fiscal sustainability. Dennis has had key roles in the delivery of Queensland budgets since 2010–11.

Graham Fraine
Deputy Under Treasurer, Policy, Performance and Corporate

Graham was appointed to the Deputy Under Treasurer role in December 2019. In this role, Graham is responsible for leading the delivery of a range of Queensland Treasury functions. Graham has more than 25 years' experience in public policy and social science research, specialising in transportation, program development and evaluation, policy reform, and service delivery.

Michael Carey
Deputy Under Treasurer, Commercial and Investment

Michael was appointed Deputy Under Treasurer for Commercial and Investment in May 2021. Immediately prior to this, Michael led the Investment Facilitation and Partnerships group. An experienced executive with a history of senior management roles across the private and public sectors, Michael's career has focused on strategic policy development and engagement. He has extensive experience in working with the private sector to accelerate complex investments.

Mark Jackson
Commissioner of State Revenue and Registrar of the State Penalties Enforcement Registry

Mark began his public service career in Townsville in 1981 and has held a number of executive roles within the Australian public service, including Deputy Commissioner of Taxation. Mark was appointed Commissioner of State Revenue in January 2020.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) supports Treasury's accountable officer – the Under Treasurer – to meet the responsibilities under the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and other prescribed requirements.

The role of the committee is to provide independent assurance and assistance to the Under Treasurer on Treasury's risk and control frameworks and external accountability responsibilities as prescribed in the relevant legislation and standards.

The committee also provides oversight for select Treasury related entities that sit within Treasury's broader portfolio (but prepare independent financial statements) which in 2020–21 included the Motor Accident Insurance Commission (MAIC) and Nominal Defendant.

Composition and membership

Chair:

+ Independent member

Members:

+ Assistant Under Treasurer, Policy and Performance
+ Insurance Commissioner
+ Commissioner, State Revenue
+ Independent member and finance expert

The Under Treasurer, Deputy Under Treasurer, Policy Performance and Corporate, Head of Corporate, Chief Finance Officer, Queensland Audit Office (QAO) and Internal Audit (including Head of Internal Audit) have standing invitations as observers to attend all ARMC meetings. Treasury officers are invited to attend meetings as required.

Key achievements for 2020–21

In 2020–21, the committee met 6 times and fulfilled its responsibilities in accordance with its charter and an approved work plan. Key achievements included:

+ endorsing the 2019–20 Financial Statements for Queensland Treasury, MAIC and Nominal Defendant
+ endorsing the 3-year strategic Internal Audit Plan and monitoring 2020–21 internal audit activity
+ reviewing the effectiveness of the department's risk management framework and overseeing the management of significant business risks
+ monitoring progress of the implementation status of internal audit recommendations
+ considering issues raised by QAO including recommendations from performance audits and Treasury related reports to Parliament.

Risk management

In accordance with the *Financial Accountability Act 2009*, the Under Treasurer has established appropriate systems of internal control and risk management. This has been achieved through the maintenance of a risk management framework and oversight by the ARMC.

Treasury's risk management framework aligns with the International Standard ISO 31000:2018 on risk management principles and guidelines and includes appropriate governance arrangements and risk reporting and analysis.

Additionally, Treasury operates under a Tax Risk Management Plan that is designed to ensure Treasury always conducts itself in a lawful manner with respect of all of its tax obligations and complies with all of its statutory obligations in a timely and transparent manner. The plan guides management on how to appropriately analyse, mitigate and report tax risks. Treasury's Tax Risk Management Plan is updated annually and endorsed by ARMC.

Internal audit

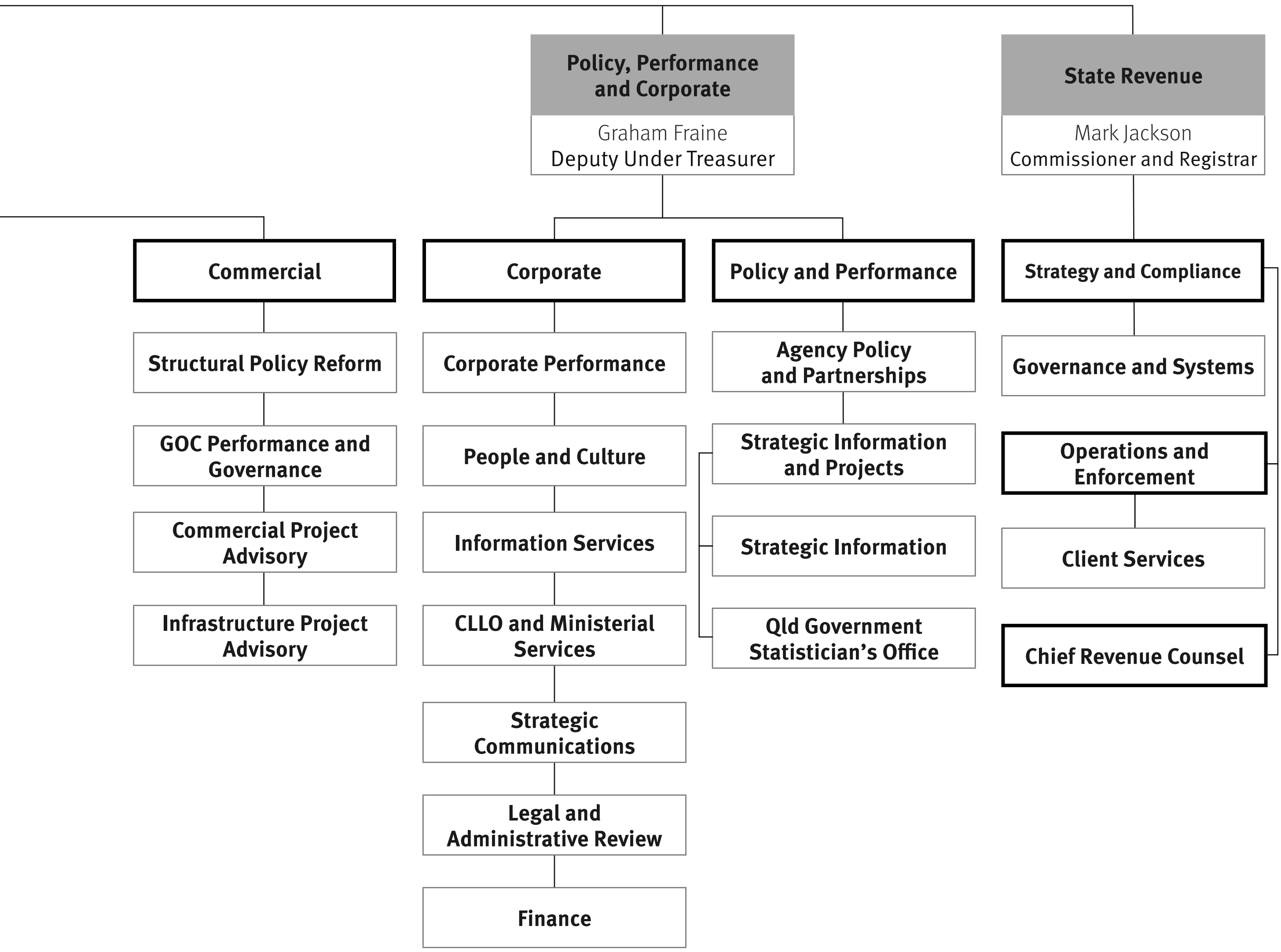
Internal audit is an integral part of the corporate governance framework by which Treasury maintains effective systems of accountability and control at all levels. Internal audit provides assurance to the Under Treasurer that the entity's financial and operational controls are operating in an efficient, effective, economical and ethical manner, and assists management in improving Treasury's business performance.

Managing our organisation

Leading Treasury

As at 30 June 2021

- **A/Under Treasurer**
  Leon Allen
  - **Economics and Fiscal**
    Dennis Molloy
    A/Deputy Under Treasurer
    - **Fiscal**
      - **Budget Office**
        - **Budget Strategy and Financial Reporting**
    - **Economics**
      - **Economic Strategy**
    - **Office of Productivity and Red Tape Reduction**
    - **State Actuary's Office**
    - **Financial Provisioning Scheme**
    - **Insurance Commission**
  - **Commercial and Investment**
    Michael Carey
    Deputy Under Treasurer
    - **Investment Incentives**
    - **Investment Facilitation**
    - **Investment Transactions**
    - **Investment Strategy and Attraction**


Policy, Performance and Corporate
Graham Fraine
Deputy Under Treasurer
State Revenue
Mark Jackson
Commissioner and Registrar
Commercial
Structural Policy Reform
GOC Performance and Governance
Commercial Project Advisory
Infrastructure Project Advisory
Corporate
Corporate Performance
People and Culture
Information Services
CLLO and Ministerial Services
Strategic Communications
Legal and Administrative Review
Finance
Policy and Performance
Agency Policy and Partnerships
Strategic Information and Projects
Strategic Information
Qld Government Statistician's Office
Strategy and Compliance
Governance and Systems
Operations and Enforcement
Client Services
Chief Revenue Counsel

Our people

Supporting employees through COVID-19

Employee health, safety, wellbeing and human rights remained key priorities in 2020–21. Treasury's Remote Workforce Strategy, implemented in response to COVID-19 in 2020, supported employees to work productively from home and informed the department's return to office plan. With COVIDsafe work practices in place, Treasury employees continued to provide outstanding service for Queensland's economic recovery.

In accordance with health advice, the department proactively managed its return to office response to COVID-19 and continued to review business practices, including workplace presence, to ensure effectiveness in the delivery of critical public service work. In 2020–21, Treasury supported flexible work arrangements where blended work arrangements, including remote working and in-office work, were able to be balanced with service delivery requirements.

Workforce planning and performance

Treasury's workforce strategy 2020 to 2024 builds and sustains a diverse, capable, flexible and engaged workforce to deliver on key priorities for the Queensland Government.

Key areas of focus include:

+ embedding wellbeing into culture and operations
+ focusing on positive performance and capability development
+ building a demographically diverse workforce reflective of Queensland communities
+ continuing a strong focus on ethical conduct and accountability
+ balancing the benefits of flexible work for our employees with organisational needs
+ workforce planning – right staff, right skills and right place.

A Workforce Strategy Steering Committee, chaired by the Under Treasurer, guides implementation of the strategy.

Diversity and inclusion

Treasury has continued its strong commitment to building a diverse workforce that reflects Queensland communities. The department's Diversity and Inclusion Steering Committee is chaired by the Under Treasurer and supported by an employee network.

During 2020–21, Treasury established a Diversity and Inclusion Policy that required all employees to complete diversity and cultural capability training. Managers were also required to apply appropriate diversity measures across all recruitment and selection exercises.

Employment pathways for Aboriginal and Torres Strait Islander peoples continued to be a key priority in 2020–21. Treasury expanded the Aboriginal and Torres Strait Islander cadetship program to 10 places and applied diversity strategies in the 2021 Treasury graduate recruitment process to contribute to the department's talent pipeline.

Ending domestic and family violence

Treasury is in its fourth year as a White Ribbon Australia workplace. To meet this commitment, Treasury provides mandatory training for all employees on how to recognise and respond to signs of domestic and family violence, including how to support their colleagues and refer to help services. In 2020–21, 163 of our leaders have undertaken specialist face-to-face training on how to support employees impacted by domestic and family violence. A further 589 staff completed online Recognise, Respond Refer training in the same period.

Leadership development and people management

A key objective in Treasury's strategic plan is to improve the department's leadership and management capability and skills. Treasury's Managers' Development Program continued throughout 2020–21, providing current and aspiring managers with practical and fundamental frontline management skills essential to delivering Treasury's objectives. The program is supported by specialist sessions with in-house subject matter experts.

In 2020–21, Treasury developed a Positive Performance Management framework in line with the government's *Positive performance management (Directive 15/20)*. As part of the new framework, Treasury will focus on regular and constructive conversations between managers and their teams throughout 2021–22, with the purpose of recognising individuals' strengths, needs and contributions.

Support for mental and physical wellbeing

Treasury continued its longstanding commitment to employee safety and wellbeing by delivering services aligned to the government's Be healthy, be safe, be well strategy. All employees had access to specialist advice, counselling and support through the department's Employee Assistance Program. Services provided included personal counselling, manager hotline services, resilience programs, physical health and wellbeing coaching, and monthly webinars.

Industrial relations

Treasury and the Together Industrial, Union of Employees met quarterly in a consultative committee in 2020–21 to discuss industrial relations matters. The department continued to support and exemplify the principles of the Union Encouragement Policy. Treasury also continued to meet its commitments with regard to the management of employment and industrial matters, and reports to the Public Service Commission, Queensland Ombudsman and Crime and Corruption Commission, in line with its obligations and statutory requirements.

Ethics and values

Treasury continued to value, actively support and promote an ethical workplace throughout 2020–21, with the Code of Conduct for the Queensland Public Service guiding how Treasury undertook its business as a public sector department.

The Code of Conduct is based on the principles outlined in the *Public Sector Ethics Act 1994*. During 2020–21, the department required all employees to complete Public Sector Ethics Refresher training. The Code of Conduct and public sector ethics training were also included in Treasury's induction program for all new employees.

Human rights

Treasury's human rights community of practice continued to support the department in implementing Queensland's *Human Rights Act 2019*, which commits all government agencies to respect, protect and promote the inherent dignity and worth of all human beings. This commitment has included:

+ all employees, including new starters, undertaking the Queensland Human Rights Commission's 'Introduction to Human Rights Act' training
+ providing 'Human Rights in our Work' training for decision-making and frontline employees, with 33 employees completing this online training in 2020–21.

There were 6 human rights complaints received by Treasury:

+ one matter finalised – no human rights breached
+ one matter out of scope
+ 3 complaints being investigated
+ one complaint withdrawn.

Our workforce

In 2020–21, Treasury was committed to the objectives of the government's Savings and Debt Plan, maintaining a focus on core deliverables and sustaining frontline services. In particular, Treasury implemented stringent control mechanisms to ensure there was appropriate workforce management and oversight.

At the end of the year, Treasury's workforce comprised a total of 1,204 people[1] including:

+ 1141.61 full-time equivalent employees
+ 156 part-time employees.

During 2020–21, one employee received a redundancy package at a cost of $190,418 and 5 employees received voluntary medical retirement packages at a cost of $227,145.

1 *Includes Treasury employees providing services to Motor Accident Insurance Commission and Nominal Defendant Based on MOHRI FTE data for fortnight ending 18 June 2021.*

Our people

Workforce composition	Number	% of workforce[1]
Men	531	44%
Women	673	56%
Aboriginal peoples and Torres Strait Islander peoples	17	1.41%
People from culturally and linguistically diverse backgrounds	172	14.29%
People with disability	36	2.99%
Women in middle and upper management (AO7 – AO8 equivalent)[2]	153	51.70%
Women in senior officer and senior executive service positions (SO – CEO equivalent)[3]	66	42.86%
Women in senior executive service positions (SES – CEO equivalent)[4]	23	32.86%
Average annual earnings by men (nominal salary)[5]	$111,976	
Average annual earnings by women (nominal salary)[5]	$100,563	
Permanent separation rate[6]	39	3.7%

1 Percentage of total workforce or demographic cohort
2 Represents 12.71 per cent of total workforce
3 Represents 5.48 per cent of total workforce
4 Includes SES, S122 and CEO equivalent roles
5 Nominal salary based on full-time earning for each gender – correct 18 June 2021
6 Based on MOHRI definition

Total staff by gender classification	Males	Females
Administration (Trainee to AO3)	55	118
Officers (AO4 – AO6)	245	335
Professional (PO2 – PO4)	1	0
Middle Management (AO7 – AO8) (PO5 – PO6)	142	154
Senior Management (SO – CEO)	88	66

Service reports

Fiscal

Treasury drives the long-term sustainability of Queensland's fiscal position by effective statewide balance sheet and operating statement management, financial risk management and accountability through providing expert advice, policy development and disclosure of whole-of-state budget and financial statements.

It does this by:

+ preparing the Queensland Budget
+ preparing whole-of-government financial reports and accounts
+ managing the balance sheet and having oversight of the state's interests
+ managing the state's financial risks.

COVID-19 has presented a significant fiscal and economic challenge. However, Queensland's economic recovery is underway with transition of the economic and policy response from short-term support to supporting jobs and economic growth.

Objective

Deliver fiscal sustainability

COVID-19 Fiscal and Economic Review

The 2020–21 Queensland Budget was delayed due to COVID-19. Instead, Treasury prepared the COVID-19 Fiscal and Economic Review in September 2020 which outlined the government's economic strategy that built on the *Unite and Recover: Queensland Economic Recovery Plan*.

Queensland's Budget

Treasury delivered 2 Budgets within 7 months. The delayed 2020–21 Budget in December 2020 provided a strategy for fiscal recovery and focused on prioritising economic recovery alongside targeted expenditure and capital investment.

Queensland's economic recovery from COVID-19 is now well underway. The 2021–22 Queensland Budget delivered in June 2021 detailed the government's fiscal strategy which is underpinned by Treasury's development of a new Charter of Fiscal Responsibility.

Compared to the outlook in the 2020–21 Budget, the economy has recovered faster and stronger than forecast. Revenues have rebounded from the initial impact of the pandemic. This recovery is allowing the government to balance additional funding for priority service needs with improved operating balances and significantly lower net debt and borrowings relative to the 2020–21 Budget.

Queensland Future Fund – the Debt Retirement Fund

The Queensland Future Fund (QFF) legislation was introduced in June 2021. Within the QFF, the Debt Retirement Fund reduces debt by holding investments targeted for future growth to support current and future borrowings. It manages debt responsibly and is structured to offset state debt by credit rating agencies when assessing Queensland's debt burden.

The benefits of the Debt Retirement Fund are already being seen, with General Government Sector net debt at 30 June 2021 forecast in the 2021–22 Queensland Budget to be $15.8 billion.

Financial Provisioning Scheme

The Financial Provisioning Scheme continued to transition all assessable environmental authorities into the Risk Category Allocation assessment process. It administers both approved forms of surety (bank guarantees, insurance bonds, cash) and contributions to the Financial Provisioning Fund in its role in managing the state's associated financial risk of small miners and resource sector holders of an environmental authority not meeting their obligations.

Economics and policy

Treasury provides preeminent economic and revenue forecasts and policy advice to government to support economic and fiscal policy formulation and to complement specialist knowledge within line agencies.

Key functions in this service include:

+ developing policy, and monitoring performance and expenditure
+ providing economic advice and informing development of the government's economic strategy
+ providing definitive economic and revenue forecasts
+ coordinating Treasury's intergovernmental interactions.

Service reports

Objective

Grow the Queensland economy and create jobs

Treasury continued to provide economic analysis, modelling and policy advice on the potential impacts of COVID-19 on the Queensland economy, which included informing the government's Economic Recovery Plan and development of the plan's 2021–22 Budget update.

Through providing economic leadership and expertise, Treasury played a critical role in the government's proactive response to sustainably grow the Queensland economy and create jobs.

Partnerships with agencies

Throughout 2020–21, Treasury collaborated with other Queensland Government agencies in a range of areas including:

+ negotiating approval for funding agreements with the Australian Government
+ supporting negotiations with the Australian Government on the proposed new National Skills Agreement
+ advising on *The Queensland Government Guide to Better Regulation* to support regulatory processes across government
+ supporting Queensland's implementation of new National Cabinet architecture and its impact on the Council on Federal Financial Relations and the new Federation Funding Agreements Framework
+ developing the Housing Investment Fund and the Housing Investment Growth Initiative with the Department of Communities, Housing and Digital Economy
+ assessing proposals for new and upgraded school infrastructure with the Department of Education
+ developing, with the Department of Regional Development, Manufacturing and Water, a roadmap of investments in water infrastructure to provide water security and promote economic development.

Objective

Drive public sector reform

In 2020–21, Treasury played a critical role in driving public sector reform to improve efficiency in government services including:

+ establishing the Office of Productivity and Red Tape Reduction within Treasury
+ partnering with Queensland Health to negotiate a new National Agreement on Mental Health and Suicide Prevention
+ assisting in abolishing the Public Safety Business Agency (PSBA), as part of the government's Savings and Debt Plan
+ working with the Department of Transport and Main Roads to deliver priority capital projects, public transport services and heavy vehicle road reform
+ contributing to the establishment of the Path to Treaty Fund.

Commercial and investment

Treasury is focused on structuring commercial opportunities and activities to support business investment through:

+ managing existing and new assets, investments, financial and commercial risks
+ supporting economic recovery and growth in Queensland by providing robust financial and commercial advice to the Queensland Government on commercial and strategic investments, and attracting and facilitating investment opportunities that provide enduring economic benefit to Queensland
+ providing strategic oversight, direction and advice to shareholding ministers in relation to the operation and performance of government-owned corporations (GOCs) and other commercial government businesses in the energy, water, ports and rail sectors, as well as QIC.

Objective

Grow the Queensland economy and create jobs

During 2020–21, Treasury actively engaged in commercial and investment opportunities, generating or retaining 2,336 jobs and $1.3 billion in capital expenditure.

Achievements have included:

- allocating $974.4 million to date as part of the Industry Support Package, following enquiries from transport, airline, tourism, and hospitality and entertainment businesses
- announcing 35 projects under the Advance Queensland Industry Attraction Fund (AQIF) and Essential Goods and Supply Chain Program, noting AQIF commenced in 2016. These programs are expected to generate over 2,000 new direct jobs and almost $500 million in capital expenditure over the life of the fund
- announcing 43 projects announced under the Jobs and Regional Growth Fund, which commenced in 2017. This program is expected to generate over $1.9 billion in capital investment and 1,850 operational jobs in regional Queensland over the life of the fund
- supporting strategic investment projects that secured the head office of Virgin Australia and the commitment by Boeing to develop the 'Loyal Wingman' Airpower Teaming System
- leading the establishment of the Debt Retirement Fund
- leading the Build-to-Rent Pilot Project, as part of the *Queensland Housing Strategy 2017–2027*
- administering the $2 billion Renewable Energy and Hydrogen Jobs Fund
- establishing the $100 million Business Investment Fund
- continuing to support, in partnership with the Department of Energy and Public Works, initiatives to deliver cost-effective, reliable energy supply for Queensland including fast-tracking the development, production, export and use of hydrogen in Queensland.

Commencing in 2021–22, Treasury will manage the new Invested in Queensland program with the aim of creating 5,000 ongoing jobs over the 10-year life of the program.

Revenue management

Treasury's Office of State Revenue (OSR) administered revenue of around $16 billion in 2020–21 by delivering simple, efficient and equitable revenue management of state taxes and royalties. Key revenue sources included duties, payroll tax, betting tax and land tax, as well as mining and petroleum royalties.

OSR ensures the integrity of the state's revenue base and compliance with revenue legislation through a robust compliance program and by collecting penalty debt owed to the state through the State Penalty Enforcement Registry. It also administers home owner and builder grants.

Objective

Deliver fiscal sustainability

As part of the government's $3 billion Savings and Debt Plan, OSR commenced its Debt Recovery and Compliance Program to maximise existing revenue sources. The program aims to collect unpaid monies from within existing revenue and penalty debt systems and is expected to raise $488.1 million by 30 June 2024. OSR opened a new Debt Management Centre, collecting $38.3 million in debt from fines and penalties in its first 6 months of operation.

In 2020–21, $266.3 million of penalty debt was collected with a debt clearance rate as at 30 June 2021 of 102 per cent.

Tax relief measures, including deferral of tax obligations for eligible individuals and businesses, also remained available throughout the 2020–21 year as part of the government's economic recovery measures.

During 2020–21, OSR completed its transformation program by delivering:

- an online intelligent virtual assistant available to help with general enquiries about state taxes, royalties and home owner grants
- establishing a new online taxpayer portal that provides more streamlined online processes, more pre-filled forms, enhanced automation, and greater transparency to taxpayers of their obligations and entitlements
- automating processes to increase internal efficiencies and reduce work backlogs.

OSR will increase audit and investigation for taxes and royalties, and provide more client centric services throughout 2021–22.

Objective

Grow the Queensland economy and create jobs

During the 2020–21 financial year, OSR paid more than 13,019 home owner and builder grants worth $183 million to support eligible home owners to buy or build their home. These include the existing First Home Owners' Grant and the new Regional Home Builder Boost Grant. OSR also administers the HomeBuilder Grant on behalf of the Australian Government.

Our financial position explained

Queensland Treasury's financial statements fall into two categories:

+ Administered – the funds it administers on behalf of the government
+ Controlled – the revenue, expenses, assets and liabilities it uses to conduct its business as a department

Analysis

In 2020–21, Queensland Treasury administered $38.950 billion of revenue and $6.608 billion of expenses on behalf of the State. This excludes administered item revenue which is appropriation revenue received from the Consolidated Fund to meet administered expenses.

The largest single source of administered revenue was grants and other contributions of $22.772 billion, followed by state taxes of $13.075 billion.

The main component of Commonwealth grant revenue was Queensland's share of the GST. Other Commonwealth revenue includes funding for National Partnership Payments and Specific Purpose Payments.

In response to the Queensland Government's measures to support Queenslanders' health, jobs and businesses in response to the COVID-19 pandemic, Treasury implemented Payroll Tax, Land Tax, Gaming Tax and Regional Home Builder Grant boost relief measures. Land Tax and Payroll Tax refunds provided in 2020–21 were $56.713 million.

Treasury also administered the Home Builder Grant on behalf of the Commonwealth in 2020–21.

Treasury's controlled revenue consists principally of Parliamentary appropriations. In 2020–21, appropriation revenue allocated to services was $304.503 million (compared with $252.325 million in 2019–20).

Administered

Queensland Future Fund

The government has established the Queensland Future Fund (QFF) to support Queensland's future economic success. The Debt Retirement Fund (DRF) is the first fund established under the *Queensland Future Fund Act 2020 (QFF Act 2020)* with the purpose of debt reduction. The QFF DRF will hold state investments for future growth to be used to offset state debt when assessing Queensland's credit rating.

The QFF DRF investment on Queensland Treasury's balance sheet takes the form of a Fixed Rate Note with Queensland Treasury Corporation (QTC). The QFF DRF is backed by investments in Queensland Investment Corporation (QIC) trusts held on QTC's balance sheet. The investment objectives, strategies and policies of these QIC trusts are advised by the State Investment Advisory Board (SIAB).

In 2020–21, assets contributed to the QFF DRF totalled $7.7 billion and included a $6 billion investment in Queensland Titles Registry, $1.5 billion from the surplus assets held to support the Defined Benefit Scheme and $206 million in securities held by the State.

The QFF DRF transferred the contributed assets listed above to QTC. On receipt, QTC transferred the contributed assets to QIC managed trusts. In consideration of the back to back transfers, QTC issued the QFF DRF fixed rate note to Queensland Treasury, and QIC issued units in the QIC trusts (referred to as the DRF asset portfolio) to QTC.

Interest from the DRF is quarantined and reinvested in the DRF asset portfolio.

QIC has been appointed as investment manager to implement the investment objectives set by SIAB for the DRF portfolio. Rebalancing of the DRF asset portfolio occurred following the initial asset contributions to the fund.

The actual asset allocations of the QIC trust investments for the DRF portfolio as at the reporting date are:

	30 June $M
Defensive assets	
Cash	2,731.1
Fixed interest	584.5
Growth assets	
Equities	2,116.6
Diversified alternatives	–
Unlisted assets	
Infrastructure	1,605.4
Private equities	359.6
Real estate	345.0
	7,742.2

Only the Treasurer has the power to authorise or make payments from QFF DRF under section 10 of the *QFF Act 2020*. Payments from the DRF may be made only for repayment of the state's debt and paying fees or expenses relating to the administration of the fund. No withdrawals were made from the DRF for debt repayment in 2020–21.

Administered

Queensland Government Insurance Fund

The Queensland Government Insurance Fund (QGIF), administered by Treasury, is a self-insurance arrangement which commenced on 1 July 2001. Government agencies pay premiums intended to meet the cost of claims arising from incidents occurring in the premium year, with the claims to premium ratio at 93% since commencement. QGIF also meets the cost of claims arising from incidents occurring prior to 1 July 2001.

Claims are paid out of Queensland Treasury's Administered accounts, while the provision for outstanding claims is held at the whole of government level.

The estimated outstanding claims liability as at 30 June 2021 was $3,501 million, compared to $2,624 million at 30 June 2020. The significant increase is largely driven by an increase in the provision for historical child sexual abuse claims following greater than expected claim experience. Investments intended to meet the government's outstanding claims liabilities are held by Queensland Treasury Corporation within its long-term assets. The fund reinsurance program has been in place since 1 November 2011 and is subject to annual renewal.

QGIF's outstanding claims liability and associated investments are reported in the government's annual Report on State Finances.

QGIF financial summary	30 June 2021 $M	30 June 2020 $M
Assets under investment	1,723.1	1,450.9
Provision for future liabilities	3500.7	2,623.8
Premiums collected	218.2	204.0
Net claims paid	207.8	310.6
Fund operating expenses	6.8	5.6
Reinsurance expense	31.2	27.6

Queensland Treasury administered revenue

	2020–21 Actual $B	2019–20 Actual $B
Commonwealth payment	$22.77	$17.83
State taxes, royalties and other state revenue	$16.18	$16.61

State taxes, royalties and other state revenue 2020–21

+ Duties $5.74B
+ Payroll tax $4.21B
+ Land tax $1.53B
+ Gaming taxes and other taxes $1.47B
+ Royalties $2.49B
+ Fees, levies and fines $0.35B
+ Other state revenue $0.39B

Total administered expenses by category 2020–21

+ Superannuation benefit payments $1.73B
+ Annual Leave Central Scheme claims paid $1.85B
+ Long service leave reimbursements $0.38B
+ Finance/borrowing costs $1.33B
+ Grants and subsidies $0.9B
+ Supplies and services $0.13B
+ Other expense $0.27B

Queensland Treasury
Administered Statement of Comprehensive Income
for the year ended 30 June 2021

	Treasury Department Actual 2020–21 $'000	Treasury Department Actual 2019–20 $'000
Income from operations		
Revenue		
Grants and other contributions[1]	22,771,866	17,833,696
Taxes[2]	13,075,153	11,548,671
Royalties[3]	2,486,701	4,493,630
Appropriation revenue[4]	6,652,311	6,512,602
Interest revenue[5]	33,489	23,495
User charges and fees[6]	43,088	44,049
Other revenue[7]	539,591	502,665
Gain on transfer/fair value movement of other financial assets[8]	6,217,456	–
Total income from operations	51,819,655	40,958,808
Expenses from operations		
Supplies and services[9]	132,769	138,340
Losses on receivables[10]	11,549	50,677
Finance/borrowing costs[11]	1,332,989	1,200,380
Grants and subsidies[12]	904,224	619,350
Superannuation benefit payments	1,732,347	1,746,946
Long service leave reimbursements	380,642	476,437
Annual Leave Central Scheme claims paid	1,852,278	1,955,604
Other expenses[13]	261,243	345,008
Total expenses from operations	6,608,041	6,532,742
Operating result before transfers to government	45,211,614	34,426,066
Transfers of administered revenue to government[14]	38,967,896	34,426,066
Total administered comprehensive income	6,243,718	–

1 Increase mainly relates to GST revenue due to significant upward revision in estimated total GST collections for 2020–21, increase in National Partnership Payments for capital projects as a result of large payments for road investment compared to last year, increase in recurrent Specific Purpose Payments, including schools funding due to the indexation of the Quality Schools funding arrangement and increase in capital Specific Purpose Payments relating to Commonwealth HomeBuilder grants which commenced in July 2020.

2 Increase mainly relates to transfer duties which reflects strong activity in the residential market, duties on vehicle registration as a result of higher vehicle sales, duties on insurance reflecting growth in population, premium and coverage levels, increase in gaming machine tax largely reflecting the longer lockdowns in 2020 compared with 2021 and increase in land tax reflecting the timing impact of COVID-19 relief measures in 2020 and growth in land values in 2021.

3 Decrease mainly relates to coal royalties largely as a result of a decrease in prices for all types of coal as well as decreased coal export volumes. Also contributing is decrease in petroleum and LNG royalties reflecting a fall in export prices.

4 Increase is in line with increase in administered expenses (excluding impairment loss). Administered appropriation revenue is received from the Consolidated Fund to fund administered expenses.

5 Increase mainly relates to interest from the QTC Fixed Rate Note created for the Debt Retirement Fund. This is partially offset by decrease in interest from trust funds under the *Agents Financial Administration Act 2014* (AFAA) due to decrease in the 30 day bank bill rate and decrease in interest from investments due to the closing of the QTC Cash Fund in January 2020.

6 Decrease is mainly relates to SPER fees due to lower referral volumes during 2020–21.

7 Increase mainly relates to SPER fines and competitive neutrality fees paid by government-owned corporations, partially offset by decreased unclaimed monies received.

8 Increase reflects gains associated with the transfer of 75% of Queensland Titles Registry and Aurizon shares to the Debt Retirement Fund.

9 Decrease mainly due to decrease in GST administration costs.

10 Decrease is mainly due to increase in impairment loss reversals for taxes and SPER fines, partially offset by increase in bad debt write-offs for taxes and SPER fines.

11 Increase mainly relates to interest on government debt pools and market value realisation charge due to the transfer of debt from QTC Debt Pool to QTC Variable Rate Loan, partially offset by a decrease in interest on advances from Government-Owned Corporations.

12 Increase relates to grant payments to statutory bodies mainly as a result of MOG transfer in of responsibilities for the Queensland Reconstruction Authority effective 1 June 2020 and the subsequent transfer out effective 1 December 2020, the Commonwealth HomeBuilder grant payments which commenced in July 2020 and First Home Owners Grant payments due to increase in volume of grant payments. This is partially offset by a decrease in payroll tax and land tax refunds as part of State's Tax Relief measures in response to impact of COVID-19.

13 Decrease mainly relates to Queensland Government Insurance Fund general liability insurance claims.

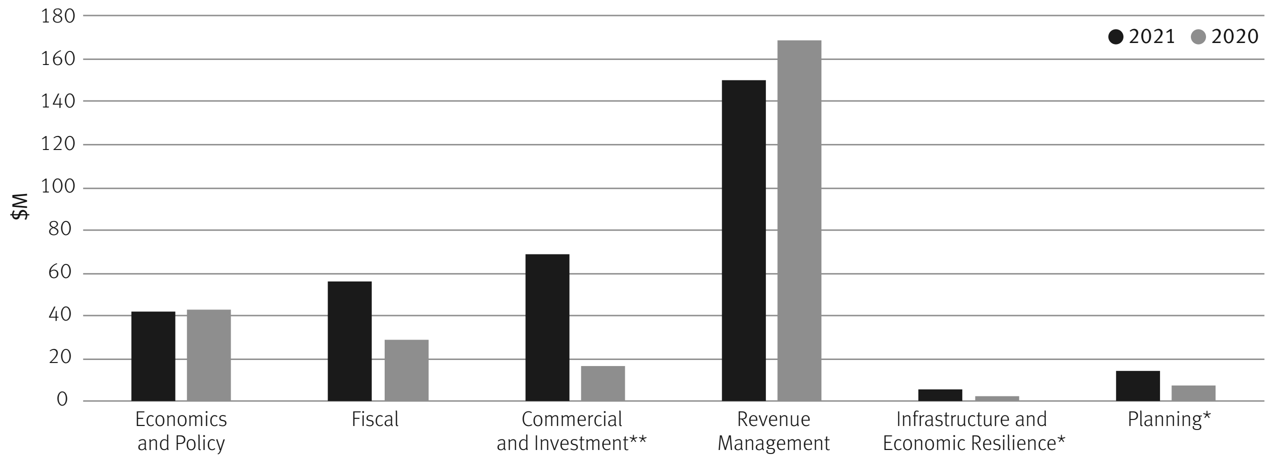
14 Increase is in line with increase in administered revenue (excluding appropriation) received.

Controlled

Total expenses by category 2020–21

+ Employee expenses $138.54M
+ Supplies and services $116.65M
+ Grants and subsidies $68.86M
+ Depreciation and amortisation $4.52M
+ Interest expenses $0.05M
+ Other expenses $4.03M

Total expenses by service 2020–21



*Effective 1 December 2020 transferred out of Queensland Treasury as a result of machinery of government changes.

**Effective 1 December 2020 Investment transferred into Queensland Treasury as a result of machinery of government changes.

Queensland Treasury controlled key financial performance indicators 2020–21

	2020–21 Actual $M	2019–20 Actual $M
Net cost of services funded by appropriation	304.50	252.33
State funding as percentage of total revenue	81%	88%
Fixed and intangible assets employed	29.02	23.49
Net asset	421.10	148.04

Queensland Treasury
Controlled Statement of Comprehensive Income
for the year ended 30 June 2021

	Treasury Department Actual 2020–21 $'000	Treasury Department Actual 2019–20 $'000
Income from operations		
Revenue		
Appropriation revenue[1]	304,503	252,325
User charges and fees[2]	59,249	31,790
Grants and contributions[3]	23,333	-
Interest revenue[4]	1,693	659
Dividends received[5]	205,973	-
Other revenue[6]	3,940	7,813
Gain/(loss) on transfer of assets/fair value movement of investments[7]	(223,626)	(4,354)
Total income from operations	375,065	288,233
Expenses from operations		
Employee expenses[8]	138,539	120,814
Supplies and services[9]	116,651	125,160
Grants and subsidies[10]	68,860	11,594
Depreciation and amortisation	4,523	4,465
Interest expense	45	-
Other expenses	4,025	3,859
Total expenses from operations	332,643	265,892
Operating result for the year	42,422	22,341
Other comprehensive income		
Items that will not be reclassified to operating result		
Increase in revaluation surplus[11]	1,078	-
Total for Items that will not be reclassified subsequently to operating result	1,078	-
Total comprehensive income/(loss)	43,500	22,341

1 Increase predominantly relates to machinery of government (MOG) transfer in of Investment Facilitation and Partnerships (IFP) effective 1 December 2020, MOG transfer in of Planning and Infrastructure and Economic Resilience (IER) effective 1 June 2020 and their subsequent MOG transfer out effective 1 December 2020, equity to output swap for the decrease in fair value for the Backing Queensland Business Investment Fund, State's contribution towards the Resources Community Infrastructure Fund and additional funding for the Debt Recovery and Compliance Program and the administration of the HomeBuilder grants. This is partially offset by decrease in funding for the Office of State Revenue Transformation Program and State Penalties Enforcement Registry (SPER) ICT Program and for grant payments associated with emerging whole of government priorities.

2 Increase mainly relates to Financial Provisioning Scheme's (FPS) fund contributions and assessment fees. Also contributing is reimbursement of costs associated with the setting up of Queensland Future Fund.

3 Increase relates to contributions from participating mineral resource industry parties towards the Resources Community Infrastructure Fund.

4 Increase mainly relates to notional interest recognised on finance lease receivable as a result of the MOG transfer of IFP.

5 Increase represents in-specie dividend received from Queensland Treasury Holdings relating to the Aurizon shares .

6 Decrease mainly relates to decreased FPS surety redemptions and a settlement payment received in 2019–20.

7 Increase mainly relates to loss recognised on the transfer of Aurizon shares to the Debt Retirement Fund and unrealised loss in Backing Queensland Business Investment Fund fair value movement, partially offset by unrealised gain in Business Development Fund fair value movement and the transfer in of net assets of Queensland Productivity Commission.

8 Increase predominantly relates to the impact of MOG transfers of Planning, IER and IFP. Also contributing is increase in expenses for the Debt Recovery and Compliance Programs and the administration of the HomeBuilder grants.

9 Decrease mainly relates to costs associated with Office of State Revenue Transformation Program and SPER ICT Program. Also contributing are expenses associated with Service Priority Review Office in 2019-20 and decreased costs for the COVID-19 Assistance Package Response. This is partially offset by Project Maroon facilitation fee, costs associated with setting up the Queensland Future Fund and the impact of the MOG transfers of Planning, IER and IFP.

10 Increase is predominantly due to the transfer of Resources Community Infrastructure Fund to the Department of State Development, Infrastructure, Local Government and Planning in February 2021 and grant programs managed by IFP, including Jobs and Regional Growth Fund and Advance Queensland Industry Attraction Fund. This is partially offset by a decrease in grant payments for emerging whole of government priorities and FPS grants payments.

11 The increase in revaluation surplus of $1.1M (100%) relates to the increase in fair value of land and buildings which were transferred to Treasury as a result of the MoG transfer.

Controlled

Queensland Treasury
Controlled Statement of Financial Position
as at 30 June 2021

	Treasury Department Actual 2020–21 $'000	Treasury Department Actual 2019–20 $'000
Assets		
Cash[1]	210,749	143,133
Receivables[2]	68,499	27,521
Other financial assets[3]	263,190	76,284
Other assets[4]	7,375	5,507
Land held for sale[5]	22,000	..
Property, plant and equipment[6]	11,706	104
Intangibles[7]	17,317	23,386
Total assets	600,836	275,935
Liabilities		
Payables[8]	175,239	120,910
Accrued employee benefits[9]	4,498	6,985
Total liabilities	179,737	127,895
Net assets	421,099	148,040
Total equity[10]	421,099	148,040

1 Increase predominantly relates to increase in deferred appropriation payable, impact of MOG transfers of Planning, IER and IFP, increase in equity withdrawal payable and increased cash assets held by FPS. This is partially offset by decreased operational payables.

2 Increase predominantly relates to finance lease receivable transferred in as a result of MOG transfer of IFP and increased Annual Leave Central Scheme and Long Service Leave Central Scheme claims receivables. This is partially offset by the transfer out of a land parcel under development as a result of the MOG transfer of Planning.

3 Increase is a result of investments in Backing Queensland Business Investment Fund and FPS Fund's investments in QIC Cash Enhanced Fund.

4 Increase mainly relates to prepaid salaries and wages and prepayments for products and services.

5 Increase relates to land held for sale as a result of the MOG transfer of IFP.

6 Increase reflects the transfer in of land and buildings as a result of the MOG transfer of IFP.

7 Decrease reflects amortisation recognised and the transfer out of intangibles as a result of MOG transfers of Planning and IER. This is partially offset by capital expenditure associated with the S/4HANA technical upgrade.

8 Increase is predominantly due to increase in deferred appropriation payable, payables to environmental authority holders relating to FPS cash sureties, equity withdrawal payable and IFP grants payable. This is partially offset by decrease in operational payables and inter-departmental payable associated with post MOG transactions.

9 Decrease is mainly due to the impact of MOG transfers of Planning, IER and IFP and decrease in accrued salary and wages reflecting the number of working days remaining after the last pay for the financial year. This is partially offset by accrued salary and wages at 30 June 2021 associated with the back-dated pay increases for senior officers for which payments were made in July 2021.

10 Increase predominantly relates to equity injections for investments in Backing Queensland Business Investment Fund and the impact of MOG transfers of Planning, IER and IFP. This is partially offset by the transfer of finance lease repayments received to the Consolidated Fund and the transfer of Business Development Fund balance to support Project Maroon.

Financial statements

Foreword

Queensland Treasury's Financial Statements are general purpose financial statements prepared in accordance with prescribed requirements including *Australian Accounting Standards* and the *Financial Reporting Requirements* issued by the Treasurer.

The Financial Statements comprise the following components:

- Statements of Comprehensive Income
- Statements of Financial Position
- Statements of Changes in Equity
- Statements of Cash Flows
- Statements of Comprehensive Income by Major Departmental Services
- Statements of Assets and Liabilities by Major Departmental Services
- Notes to the Financial Statements.

In addition, Queensland Treasury (Treasury) administers transactions and balances in a trust or fiduciary capacity. These are identified in notes 47–50.

Treasury and Queensland Treasury Holdings Pty Ltd (QTH) are controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of Treasury is:

1 William St

BRISBANE QLD 4000

		Consolidated Entity		Parent Entity			
		2021	2020	2021	2021	2021	2020
		Actual	Actual	Actual	Original budget	Budget variance*	Actual
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Income from operations							
Appropriation revenue	3	304,503	252,325	304,503	395,523	(91,020)	252,325
User charges and fees	4	59,249	31,790	59,249	45,758	13,491	31,790
Grants and contributions		23,333	..	23,333	46,666	(23,333)	..
Interest revenue	5	9,893	10,056	1,693	3,311	(1,618)	659
Dividends received	6	15,434	14,336	205,973	..	205,973	..
Other revenue		4,442	8,208	3,940	1,956	1,984	7,813
Total revenue		416,854	316,715	598,691	493,214	105,477	292,587
Gain/(loss) on transfer of assets/fair value movement of investments	7	(292,697)	(50,612)	(223,626)	..	(223,626)	(4,354)
Total income from operations		124,157	266,103	375,065	493,214	(118,149)	288,233
Expenses from operations							
Employee expenses	8	138,539	120,814	138,539	151,035	(12,496)	120,814
Supplies and services	9	116,651	125,160	116,651	155,519	(38,868)	125,160
Grants and subsidies	10	68,860	11,594	68,860	151,864	(83,004)	11,594
Depreciation and amortisation		4,523	4,465	4,523	4,395	128	4,465
Interest expense		5,023	5,276	45	1,448	(1,403)	..
Other expenses	11	5,093	4,968	4,025	3,601	424	3,859
Total expenses from operations		338,689	272,277	332,643	467,862	(135,219)	265,892
Operating result before income tax expense		(214,532)	(6,174)	42,422	25,352	17,070	22,341
Income tax benefit	12	(18,521)	(11,608)	..	..	..	..
Operating result for the year		(196,011)	5,434	42,422	25,352	17,070	22,341
Other comprehensive income							
Items that will not be reclassified to operating result							
Increase in revaluation surplus		1,078	..	1,078	..	1,078	..
Total for Items that will not be reclassified subsequently to operating result		1,078	..	1,078	..	1,078	..
Total comprehensive income/ (loss)		(194,933)	5,434	43,500	25,352	18,148	22,341

* An explanation of major variances is included at Note 27.

The accompanying notes form part of these statements.

	Notes	Consolidated Entity 2021 Actual $'000	Consolidated Entity 2020 Actual $'000	Parent Entity 2021 Actual $'000	Parent Entity 2020 Actual $'000
Current assets					
Cash and cash equivalents	13	325,514	237,594	210,749	143,133
Receivables	14	30,643	16,264	21,826	7,997
Other financial assets	15	46,132	270,236	46,132	..
Other assets		7,535	5,724	7,375	5,507
		409,824	529,818	286,082	156,637
Land held for sale	16	22,000	..	22,000	..
Total current assets		431,824	529,818	308,082	156,637
Non-current assets					
Receivables	14	176,869	156,318	46,673	19,524
Other financial assets	15	269,190	133,224	217,058	76,284
Property, plant and equipment	17	11,706	104	11,706	104
Intangibles	18	17,317	23,386	17,317	23,386
Deferred tax asset	20	20,584	..	..	..
Total non-current assets		495,666	313,032	292,754	119,298
Total assets		927,490	842,850	600,836	275,935
Current liabilities					
Payables	19	195,986	121,715	175,239	120,910
Accrued employee benefits		4,498	6,985	4,498	6,985
Interest bearing liabilities	21	1,559	1,493	..	..
Total current liabilities		202,043	130,193	179,737	127,895
Non-current liabilities					
Payables	19	988	1,341	..	..
Deferred tax liabilities	20	..	19,925	..	..
Interest bearing liabilities	21	101,339	102,898	..	..
Total non-current liabilities		102,327	124,164	..	..
Total liabilities		304,370	254,357	179,737	127,895
Net assets		623,120	588,493	421,099	148,040
Equity					
Accumulated surplus		239,445	435,455	131,837	89,415
Revaluation surplus		1,078	..	1,078	..
Contributed equity		382,597	153,038	288,184	58,625
Total equity		623,120	588,493	421,099	148,040

The accompanying notes form part of these statements.

	Notes	Consolidated Entity 2021 Actual $'000	Consolidated Entity 2020 Actual $'000	Parent Entity 2021 Actual $'000	Parent Entity 2020 Actual $'000
Accumulated surplus					
Balance 1 July		435,455	437,508	89,415	59,561
Adjustment to opening balance*		..	7,513	..	7,513
Operating result from continuing operations		(196,011)	5,434	42,422	22,341
Dividend paid – Type A shareholders		..	(15,000)	..	..
Balance 30 June		239,445	435,455	131,837	89,415
Revaluation surplus					
Balance 1 July		..	..	..	..
Increase/(decrease) in asset revaluation surplus		1,078	..	1,078	..
Balance 30 June		1,078	..	1,078	..
Contributed equity					
Balance 1 July		153,038	116,058	58,625	21,645
Transactions with owners as owners:					
Appropriated equity injections	3	172,660	24,456	172,660	24,456
Appropriated equity withdrawals	3	(35,730)	(9,117)	(35,730)	(9,117)
Non-appropriated equity withdrawal		(8,900)	(1,140)	(8,900)	(1,140)
Net assets transferred in/(out) from other Queensland Government entities	2 (d)	101,529	22,781	101,529	22,781
Balance 30 June		382,597	153,038	288,184	58,625
Total equity		623,120	588,493	421,099	148,040

* Adjustments to opening balance for 2019-20 relates to derecognition of straight-lining of leases under AASB 16 *Leases*.

The accompanying notes form part of these statements.

	Notes	Consolidated Entity 2021 Actual $'000	Consolidated Entity 2020 Actual $'000	Parent Entity 2021 Actual $'000	Parent Entity 2020 Actual $'000
Cash flows from operating activities					
Inflows					
Appropriation receipts		342,218	254,276	342,218	254,276
Surety receipts from Financial Provisioning Scheme		17,959	6,112	17,959	6,112
User charges and fees		58,537	33,056	58,385	33,007
Grants and other contribution		23,333		23,333	..
GST input tax credits from Australian Taxation Office (ATO)		15,175	12,897	13,752	12,168
GST collected from customers		1,147	739	1,147	739
Dividends received		15,434	14,336	..	..
Interest received		6,427	7,448	658	690
Other		3,939	7,682	3,939	7,682
Outflows					
Employee expenses		(142,279)	(115,810)	(142,279)	(115,810)
Supplies and services		(131,175)	(120,870)	(130,327)	(119,796)
Grants and subsidies		(65,631)	(10,249)	(65,631)	(10,249)
GST remitted to ATO		(2,649)	(1,658)	(1,064)	(732)
GST paid to suppliers		(13,951)	(12,377)	(13,951)	(12,377)
Interest paid		(4,978)	(5,276)	..	..
Income tax paid		(2,063)	(3,118)	..	..
Other		(2,270)	(3,693)	(2,270)	(3,693)
Net cash provided by operating activities		119,173	63,495	105,869	52,017
Cash flows from investing activities					
Inflows					
Lease payments received		6,622	1,410	5,129	..
Proceeds from investments		15,900	6,500	8,900	..
Novation payments received		..	7,160	..	..
Outflows				..	
Payments for property, plant and equipment		(32)	(73)	(32)	(73)
Payment for partial surrender of long-term lease		..	(2,107)	..	..
Payments for investments		(214,604)	(24,000)	(214,604)	(24,000)
Payments for intangibles		(791)	(1,297)	(791)	(1,297)
Net cash used in investing activities		(192,905)	(12,407)	(201,398)	(25,370)
Cash flows from financing activities					
Inflows					
Equity injections		170,507	24,456	170,507	24,456
Outflows				..	..
Repayment of borrowings		(1,493)	(8,570)	..	..
Dividend paid		..	(15,000)	..	..
Equity withdrawals		(28,036)	(9,268)	(28,036)	(9,268)
Net cash provided by/(used in) financing activities		140,978	(8,382)	142,471	15,188
Net increase in cash and cash equivalents		67,246	42,707	46,942	41,836
Increase in cash and cash equivalents from restructuring		20,674	..	20,674	..
Cash and cash equivalents at beginning of financial year		237,594	194,887	143,133	101,297
Cash and cash equivalents at end of financial year	13	325,514	237,594	210,749	143,133

The accompanying notes form part of these statements.

	Consolidated Entity		Parent Entity	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Total comprehensive income/(loss)	(194,933)	5,434	43,500	22,341
Non-cash items included in operating result:				
Non-cash dividends received	..	..	(205,973)	..
Losses on shares transferred	205,973	..	205,973	..
Losses on shares – revaluation	64,263	26,365	..	..
Losses on investments - unrealised	18,798	4,354	18,798	4,354
Losses on license fee receivable - unrealised	4,808	19,893	..	..
Depreciation/amortisation expense	4,523	4,465	4,523	4,465
Amortisation of unearned income	(350)	(345)	..	..
Revaluation surplus	(1,078)	..	(1,078)	..
Interest – loans and receivables	(3,437)	(2,713)	(992)	..
Non-cash adjustment - equity withdrawal	(14,442)	(989)	(14,442)	(989)
Change in assets and liabilities:				
(Increase)/decrease in receivables	(13,759)	(21,696)	(13,829)	(21,770)
(Increase)/decrease in other assets	(1,880)	(220)	(1,868)	(218)
(Increase)/decrease in deferred tax assets	(20,584)	..	..	..
Increase/(decrease) in payables	54,342	21,880	54,329	22,043
Increase/(decrease) in accrued employee benefits	(2,487)	2,268	(2,487)	2,268
Increase/(decrease) in tax provision	19,926	(840)	..	..
Increase/(decrease) in deferred tax liability	(19,925)	(13,883)	..	..
Adjustment to various assets and liabilities due to MoG (non-cash)	19,415	19,523	19,415	19,523
Net cash provided by operating activities	119,173	63,495	105,869	52,017

		Consolidated Entity^						
			Non-cash changes			Cashflows		
	Notes	Opening balance 2020 $'000	Transfers to/(from) other Queensland government entities $'000	New leases acquired $'000	Other	Cash received $'000	Cash repayments $'000	Closing balance 2021 $'000
Current/non-current liabilities								
Interest bearing liabilities	21	104,391	..	..	..	..	(1,493)	102,898
		104,391	..	..	..	..	(1,493)	102,898

^There are no liabilities arising from Financing Activities in the Parent Entity accounts.

Controlled Reconciliation of Changes in Liabilities Arising from Financing Activities

for the year ended 30 June 2020

		Consolidated Entity^						
			Non-cash changes			Cash flows		
	Notes	Opening balance 2019 $'000	Transfers to/(from) other Queensland government entities $'000	New leases acquired $'000	Other	Cash received $'000	Cash repayments $'000	Closing balance 2020 $'000
Current/non-current liabilities								
Interest bearing liabilities	21	112,961	..	..	..	..	(8,570)	104,391
		112,961	..	..	..	..	(8,570)	104,391

^There are no liabilities arising from financing activities in the Parent Entity accounts.

Queensland Treasury
Controlled Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2021

	Economics and Policy		Fiscal		Commercial and Investment		Revenue Management		Infrastructure and Economic Resilience***		Planning***		General – not attributed**		Inter-service/activity eliminations		Queensland Treasury	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Income from operations *																		
Revenue																		
Appropriation revenue	34,772	37,188	44,564	20,507	60,721	19,746	144,044	161,827	5,161	2,292	12,059	6,922	3,182	3,843	..	..	304,503	252,325
User charges and fees	5,498	5,375	47,753	23,662	4,442	616	5,349	5,175	..	..	1,745	321	326	356	(5,864)	(3,714)	59,249	31,791
Grants and contributions	..	..	23,333	..	..	..	..	..	..	..	..	..	..	..	..	..	23,333	..
Interest revenue	..	..	656	658	1,037	..	..	..	..	..	..	..	..	..	..	..	1,693	658
Dividends received	..	..	205,973	..	..	..	..	..	..	..	..	..	..	..	..	..	205,973	..
Other revenue	130	319	2,772	5,712	203	86	804	1,599	..	..	..	16	31	81	..	..	3,940	7,813
Total revenue	40,400	42,882	325,051	50,539	66,403	20,448	150,197	168,601	5,161	2,292	13,804	7,259	3,539	4,280	(5,864)	(3,714)	598,691	292,587
Gain/(loss) on sale/fair value movement of investments/transferred assets	1,144	..	(226,923)	..	2,153	(4,355)	..	..	..	..	..	..	..	..	..	..	(223,626)	(4,355)
Total income from operations	41,544	42,882	98,128	50,539	68,556	16,093	150,197	168,601	5,161	2,292	13,804	7,259	3,539	4,280	(5,864)	(3,714)	375,065	288,232
Expenses from operations *																		
Employee expenses	28,944	28,387	8,904	9,686	15,656	8,742	70,688	68,370	3,553	651	9,306	3,378	1,488	1,599	..	..	138,539	120,813
Supplies and services	12,090	12,739	10,229	12,543	19,443	6,642	73,872	91,072	1,191	255	3,756	3,377	1,934	2,246	(5,864)	(3,714)	116,651	125,160
Grants and subsidies	..	1,068	35,671	5,499	32,640	523	..	2,846	404	1,280	145	116	..	262	..	..	68,860	11,594
Depreciation and amortisation	123	241	385	429	217	65	3,160	3,535	13	3	597	131	28	61	..	..	4,523	4,465
Interest expense	..	..	..	..	45	..	..	..	..	..	..	..	..	..	..	..	45	..
Other expenses	387	447	517	380	555	121	2,477	2,778	..	..	..	21	89	112	..	..	4,025	3,859
Total expenses from operations	41,544	42,882	55,706	28,537	68,556	16,093	150,197	168,601	5,161	2,189	13,804	7,023	3,539	4,280	(5,864)	(3,714)	332,643	265,891
Other comprehensive income																		
Increase in revaluation surplus	..	..	..	..	1,078	..	..	..	..	..	..	..	..	..	..	..	1,078	..
Total other comprehensive income	..	..	..	..	1,078	..	..	..	..	..	..	..	..	..	..	..	1,078	..
Total comprehensive income	..	..	42,422	22,002	1,078	..	..	..	..	103	..	236	..	..	..	..	43,500	22,341
* Allocation of income and expenses to corporate services (disclosure only):																		
Income	8,511	9,025	2,119	2,773	4,883	2,442	24,084	25,243	..	195	..	980	1,990	2,332	..	..	41,587	42,990
Expenses	8,511	9,025	2,119	2,773	4,883	2,442	24,084	25,243	..	195	..	980	1,990	2,332	..	..	41,587	42,990

** 2021 and 2020 include corporate support allocated to Motor Accident Insurance Commission and Nominal Defendant.
*** Planning and Infrastructure and Economic Resilience functions have been transferred-out, effective 1 December 2020 as a result of machinery-of-government changes.

Accounting policy – Allocation of revenues and expenses from ordinary activities of corporate services
Treasury allocates revenues and expenses attributable to corporate services to its controlled departmental services in the Statement of Comprehensive Income based on the average usage patterns of the services' key drivers of costs.

Queensland Treasury
Controlled Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2021

	Economic and Policy		Fiscal		Commercial and Investment		Revenue Management		Infrastructure and Economic Resilience**		Planning**		General – not attributed*		Queensland Treasury	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	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	10,530	2,637	108,488	119,232	33,133	1,164	45,969	11,968	..	200	..	556	12,629	7,376	210,749	143,133
Receivables	1,242	1,090	3,045	2,334	14,708	140	1,792	1,037	..	407	..	2,077	1,039	912	21,826	7,997
Other financial assets	..	..	46,132	..	..	..	..	..	..	..	..	..	..	..	46,132	..
Other assets	250	75	100	47	116	..	5,298	4,284	..	106	..	213	1,611	782	7,375	5,507
	12,022	3,802	157,765	121,613	47,957	1,304	53,059	17,289	..	713	..	2,846	15,279	9,070	286,082	156,637
Land held for sale	..	..	..	..	22,000	..	..	..	..	..	..	..	..	..	22,000	..
Total current assets	12,022	3,802	157,765	121,613	69,957	1,304	53,059	17,289	..	713	..	2,846	15,279	9,070	308,082	156,637
Non-current assets																
Receivables	..	..	..	..	46,673	..	..	..	..	..	..	19,524	..	..	46,673	19,524
Other financial assets	..	..	147,521	..	69,537	76,284	..	..	..	..	..	..	..	..	217,058	76,284
Property, plant and equipment	8	11	..	..	11,613	..	43	37	..	..	..	..	42	56	11,706	104
Intangibles	..	..	1,694	2,049	..	..	14,325	17,117	..	277	..	2,859	1,298	1,084	17,317	23,386
Total non-current assets	8	11	149,215	2,049	127,823	76,284	14,368	17,154	..	277	..	22,383	1,340	1,140	292,754	119,298
Total assets	12,030	3,813	306,980	123,662	197,780	77,588	67,427	34,443	..	990	..	25,229	16,619	10,210	600,836	275,935
Current liabilities																
Payables	8,360	806	94,214	102,699	24,760	342	40,315	10,480	..	54	..	1,300	7,590	5,229	175,239	120,910
Accrued employee benefits	670	1,107	192	361	460	331	1,709	2,641	..	354	..	753	1,467	1,438	4,498	6,985
Total current liabilities	9,030	1,913	94,406	103,060	25,220	673	42,024	13,121	..	408	..	2,053	9,057	6,667	179,737	127,895
Non-current liabilities																
Payables	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total non-current liabilities	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total liabilities	9,030	1,913	94,406	103,060	25,220	673	42,024	13,121	..	408	..	2,053	9,057	6,667	179,737	127,895
Net assets	3,000	1,900	212,574	20,602	172,560	76,915	25,403	21,322	..	582	..	23,176	7,562	3,543	421,099	148,040

The department has systems in place to allocate assets and liabilities by major departmental services.
*Includes assets and liabilities associated with corporate support functions.
**Planning and Infrastructure and Economic Resilience functions have been transferred-out, effective 1 December 2020 as a result of machinery-of-government changes.

1 Basis of financial statement preparation

(a) Statement of compliance

Treasury has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*.

Treasury is a not-for-profit entity and has prepared these general-purpose financial statements in accordance with *Australian Accounting Standards and Interpretations* applicable to not-for-profit entities. In addition, the financial statements comply with the Queensland Treasury's *Financial Reporting Requirements* for the year beginning 1 July 2020 and other authoritative pronouncements. New accounting standards applied for the first-time in these financial statements are outlined in note 1(h).

(b) The reporting entity

Treasury is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

For financial reporting purposes, Treasury is a department in terms of the *Financial Accountability Act 2009* and is subsequently consolidated into the *Report on State Finances* of the Queensland Government.

Treasury as an economic entity consists of the parent entity together with its controlled entity, QTH. To provide enhanced disclosure, Treasury has adopted the principles outlined in Australian Accounting Standard AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities*. This approach is considered appropriate as it reflects the relationship between Treasury's core business activities and those of its controlled entity. In the process of reporting on Treasury as a single economic entity, all transactions and balances internal to the economic entity have been eliminated in full. The consolidated financial statements include the value of all revenues, expenses, assets, liabilities and equity of Treasury and the entity that it controls. Details of Treasury's controlled entity are disclosed in note 24. For the purposes of these financial statements, "QTH" refers to QTH and its controlled entities.

The accrual basis of accounting has been adopted for both controlled transactions and balances, and those administered by Treasury on a whole-of-government basis (except for the Statement of Cash Flows, which is prepared on a cash basis). Except when stated, the historical cost convention is used.

(c) Controlled and Administered transactions and balances

Transactions and balances are controlled by Treasury where they can be deployed for the achievement of departmental objectives.

Treasury administers, but does not control, certain resources on behalf of the government such as the borrowing and cash arrangements, collection of Australian Government grants, state taxes, royalties, State Penalties Enforcement Registry (SPER) fines and investment in the Queensland Future Fund (QFF). In doing so, it is responsible and accountable for administering related transactions and items but does not have the discretion to deploy the resources for the achievement of Treasury's objectives.

Transactions and balances relating to administered resources are not recognised as controlled revenues, expenses, assets, liabilities and equity, but are disclosed separately as administered transactions and balances in the administered statements and associated notes.

If not otherwise stated, the controlled accounting policies also apply to administered transactions and balances.

(d) Australian Government taxes

Treasury is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of fringe benefits tax (FBT) and goods and services tax (GST). As such, FBT and GST credits receivable from/payable to the Australian Taxation Office (ATO) are recognised and accrued.

QTH is subject to the National Tax Equivalents Regime (NTER), and payments are made to the State Treasurer (Consolidated Fund) equivalent to the amount of Commonwealth income tax.

QTH falls under the Taxation of Financial Arrangements (TOFA) legislation and applies the default realisation and accrual methods.

(e) Presentation

Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been 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. Comparative information reflects the audited 2019–20 financial statements.

1 Basis of financial statement preparation (continued)

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 the 12 months after the reporting date. All other assets and liabilities are classified as non-current.

(f) Issuance of financial statements

The financial statements are authorised for issue by the Under Treasurer and Chief Finance Officer at the date of signing the Management Certificate.

(g) Accounting estimates and judgements

Estimates and assumptions that have a potential significant effect are outlined in the following notes

- notes 14 and 39 (allowance for impairment)
- note 15 (fair value on controlled other financial assets)
- notes 16 and 17 (fair value on land held for sale and property)
- notes 23 and 43 (contingencies)
- note 26 (g) (fair value on controlled financial instruments)
- note 40 (fair value on administered other financial assets)
- note 44 (e) (fair value on administered financial instruments)

Further, the matters covered in each of those notes necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of Treasury's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

(h) First year application of new accounting standards

AASB 1059 Service Concession Arrangement: Grantors

AASB 1059 applied to Treasury's financial statement in 2020–21. This standard applies to grantors in service concession arrangements and provides a control concept to the recognition of service concession assets and related liabilities.

Treasury has assessed existing arrangements with private entities including grant arrangements. Based on the assessment, the consolidated entity does not have any arrangements that fall within the scope of AASB 1059.

2 Objectives and major activities of the department

Queensland Treasury's vision is a strong economy for all Queenslanders, which is guided by our purpose of driving government priorities, expert advice and services.

Treasury's objectives are to:

- grow the Queensland economy and create jobs
- deliver fiscal sustainability
- equip its workforce for the future
- drive public sector reform.

Treasury is funded for the departmental services it delivers principally by parliamentary appropriations. Details on Treasury's departmental service areas can be viewed in the Service Reports section of the department's Annual Report.

2 Objectives and major activities of the department (continued)

(a) Major activities of the department

Major activities of the department are detailed on the face of the statements by Major Departmental Services for both controlled and administered items.

The Financial Statements have been aggregated into the following disclosures (refer notes 1(b) and 1(c) for full details of this aggregation):

1 Controlled

(a) Treasury (as an entity in its own right and to which the remainder of this financial report refers) – column headed ‘Parent Entity’.

(b) Consolidated (Treasury and its controlled entity QTH and its subsidiaries) – column headed ‘Consolidated Entity’.

2 Administered on behalf of whole-of-government – shaded statements and notes.

(b) Financial Provisioning Scheme (FPS)

From 1 April 2019, Financial Assurance (now called Financial Provisioning) requirements for resource activities under the *Environmental Protection Act 1994* (EP Act) were replaced with the Financial Provisioning Scheme (Scheme) under the *Mineral and Energy Resource (Financial Provisioning) Act 2018* (MERFP Act). The Scheme manages the State’s financial risk from the potential failure of a resource activity holder of an environmental authority or small-scale mining tenure (holder) to meet their rehabilitation and environmental obligations under the EP Act.

The Scheme is administered by the Scheme Manager, a statutory officer supported by Treasury, who is responsible for administering all holders’ financial provisioning on behalf of the State of Queensland.

Under the MERFP Act, holders meet their financial provisioning obligation by providing:

- a contribution to the Financial Provisioning Fund (Fund); and/or
- surety, which can be in the form of cash, bank guarantee or insurance bond.

Under the EP Act, the Administering Authority (Department of Environment and Science (DES)) may make a claim against a holder’s financial provisioning to the Scheme Manager. Where the claim is properly made, the Scheme Manager will either make arrangements for payments from the Financial Provisioning Fund or realise the surety and transfer the funds to the Administering Authority’s designated bank account. No liability is held by Treasury for any rehabilitation obligations.

All balances/transactions relating to the Fund are reported in the Financial Statements. Fund contributions and assessment fees are recognised under user charges and fees (note 4).

Balances/transactions relating to surety are reported either in the Financial Statements or disclosed as contingencies.

- Cash surety is reported as cash asset (note 13) with a corresponding payable to the holders (note 19), as the Fund obtains the interest benefit from the cash surety held.
- Forfeitures of surety held are recognised as other revenue and transferred to DES and/or Department of Resources as grant expenses.
- Non-cash surety is disclosed in the contingency note (note 23). Non-cash surety is only redeemable for cash when claims are made. At reporting date, it is not possible to determine the quantum or timing of claims that will be made against the non-cash surety.
- Where a notice to provide surety has been issued and the surety payment is yet to be received from holders, the aggregate surety yet to be received is also disclosed in the contingency note (note 23).

(c) Financial Reporting Impact of COVID-19 response measures

The World Health Organisation declared the COVID-19 outbreak as a pandemic. Actions taken by the Australian and State Governments resulted in significant impact to business operations and increased economic uncertainty.

The Queensland Government put in measures to support Queenslanders’ health, jobs and businesses in response to the COVID-19 pandemic in 2019–20 which has continued this 2020–21 financial year.

Treasury has implemented the following COVID-19 response measures in 2020–21 and 2019–20:

Taxes, Fines and Grants

Payroll Tax measures

i. Refund of Payroll Tax for 2 months (2021: July and August 2020; 2020: November and December 2019)
ii. Payroll tax holiday for 3 months (2020: January to March 2020)
iii. Deferral of paying Payroll Tax for the 2020 calendar year (with multiple due dates up to 14 January 2022)
iv. Extension of exclusion of JobKeeper payments for Payroll Tax

2 Objectives and major activities of the department (continued)

(c) Financial Reporting Impact of COVID-19 response measures (continued)

Land Tax measures

i. Land Tax rebate reducing Land Tax liabilities by 25% for the 2020-21 assessment year and the 2019–20 assessment year (in which applications timeframe was extended to 31 October 2020)

ii. Waiver of the 2% Land Tax surcharge for foreign entities for the 2019–20 assessment year

iii. Three-month deferral of Land Tax liabilities for the 2020–21 assessment year

Gaming Machine Tax measures

i. Refund of Gaming Machine Taxes paid for March 2020

ii. Deferral of Gaming Machine Tax for pubs and clubs (March 2020 tax deferred and to be paid by instalments on June 2021, August 2021 and October 2021)

Lotteries Tax

i. Deferral of paying Lotteries Tax for periods July 2020 to December 2020 (due date before 1 April 2021)

Grants

i. Regional Home Building Boost Grant of $5,000

The following significant transactions were recognised by Treasury in the administered books during 2020-21 and 2019-20 financial years in response to the COVID-19 pandemic.

Statement of Comprehensive Income	**2021**	**2020**
	$'000	**$'000**
Significant revenue items arising from COVID-19		
Additional appropriation revenue received to fund COVID-19 relief measures (note 31)		
Payroll Tax refund	37,935	393,316
Land Tax rebate of 25% on eligible properties	18,778	71,160
Gaming Machine Tax refund	..	1,431
Regional Home Building Boost Grant	6,330	..
Total	**63,043**	**465,907**
Taxes revenue foregone (note 29)		
Payroll Tax holiday	259,531	233,619
Land Tax liabilities reduction	55,063	..
Land Tax waiver of 2% surcharge for foreign entities	..	158,467
Total	**314,594**	**392,086**
Significant expense items arising from COVID-19		
Payment of previously assessed and paid taxes (notes 36 and 37)		
Payroll Tax refund	37,935	393,316
Land Tax rebate of 25% on eligible properties	18,778	71,160
Gaming Machine Tax refund	..	1,431
Regional Home Building Boost Grant	6,330	..
Total	**63,043**	**465,907**

2 Objectives and major activities of the department (continued)

(c) Financial Reporting Impact of COVID-19 response measures (continued)

Statement of Financial Position	**2021**	**2020**
	$'000	**$'000**
Significant changes in assets arising from COVID-19		
Receivables recognised as at 30 June includes (note 39):		
Payroll Tax deferral	667,080	428,175
Land Tax deferral	85,410	..
Gaming Machine Tax deferral	24,531	49,324
Total	**777,021**	**477,499**

Treasury also administered the Commonwealth Home Builder Grant with a total of $262.985 million paid during 2020-21 (note 36).

In 2019-20, any enforcement action that was in place before 19 March 2020 has remained and no new enforcement action has been made. SPER has re-commenced enforcement action in September 2020 for outstanding SPER fees and fines receivables.

Industry Support Package (ISP)

Treasury, in coordination with other Queensland Government departments and agencies, has implemented the Queensland Government's Industry Support Package (ISP) program which aims to support industry and businesses through COVID-19 to get up and running as economic activity improves. The ISP program was provided through grants, loans and other contributions to businesses. As at 30 June 2021, grants paid by Treasury amounts to $2.680 million (note 10). The loans to businesses are provided through Queensland Treasury Corporation (QTC) with the Treasurer providing a deed of guarantee for $200 million for the loan facilities (note 23).

Treasury has paid the costs of the ISP management fees amounting to $207,000 in 2020–21.

Essential Goods and Supply Chain Program (EGSCP)

The Queensland Government is mobilising Queensland’s multi-billion-dollar manufacturing sector to deliver the state’s Personal Protective Equipment for front-line health and essential workers, including face masks, hand sanitiser and ventilators.

The government has set a target that 25 per cent of all PPE bought by the Queensland Government would be made in Queensland and a new PPE testing facility would be established at Meadowbrook. As part of this initiative, Treasury has paid grants of $1.281 million to support the sector (note 10) in 2020–21.

Others

Additional borrowings were incurred in 2019–20 to fund the response measures announced by the Queensland Government in response to COVID-19. Borrowings in 2020-21 were incurred in response to the ongoing COVID-19 pandemic and to supporting economic recovery.

The impact to business operations in Queensland has also affected the fair value assessment of other financial assets (note 15) reported in the controlled books.

QTH has not identified any material COVID-19 risks as at 30 June 2021. No adjustments to the amounts recorded in the financial statements have been recognised during the financial year. QTH will continuously monitor the emergence of such risks.

In August 2021, the Queensland Government announced an additional support package to assist businesses impacted by further COVID-19 lockdowns. The support package includes a six-month deferral of payroll tax payments for Tourism and Hospitality Sector and additional business support grants to sole traders, small and medium sized businesses and large sized Tourism and Hospitality businesses. The Office of State Revenue will work with the relevant government departments to implement the additional relief measures in 2021–22.

2 Objectives and major activities of the department (continued)

Treasurer's Advance

Treasurer's advance of $1.370 billion for 2020-21 was set up as part of the additional interim supply for 2020–21 provided for in the *Appropriation (COVID-19) Act 2020*. The allocation and payments to departments were approved by the Treasurer under Section 34 of the *Financial Accountability Act 2009*. The remaining funds of $1.09 billion were returned to the Consolidated Fund (CF) as at 30 June 2021.

In 2019-20, Treasurer's advance was $2.115 billion. Payments of $1.994 billion were made to departments with the remaining funds of $121.030 million returned to CF as at 30 June 2020.

	2021 $'000	2020 $'000
Treasurer's Advance Fund Payment to Departments		
Department of Employment, Small Business and Training	133,730	85,320
Department of Local Government, Racing and Multicultural Affairs	45,000	..
Department of State Development, Tourism and Innovation	35,000	..
Department of Environment and Science	24,625	..
Department of Transport and Main Roads	23,160	4,400
Department of Housing and Public works	10,000	..
Department of Agriculture and Fisheries	6,250	901,960
Department of Natural Resources, Mines and Energy	2,500	..
Queensland Reconstruction Authority	2,300	..
Department of Communities, Disability Services and Seniors	..	500,000
Queensland Health	..	477,300
Department of Innovation and Tourism Industry Development	..	21,800
Department of Education	..	2,000
Department of Premier and Cabinet	..	1,200
Total	**282,565**	**1,993,980**

Note: The payments were made in early 2020-21 and on 1 December 2020, some of the Department's functions/name have changed as a result of the machinery of government arrangements.

2 Objectives and major activities of the department (continued)

(d) Machinery-of-government changes 2020–21

Details of Transfers

Transfer-in: Investment Facilitation and Partnerships transferred from Department of Tourism, Innovation and Sport (DTIS)

Transfer-out: Planning, Infrastructure and Economic Resilience, Cities Transformation Taskforce transferred to Department of State Development, Infrastructure, Local Government and Planning (DSDILGP)

Basis of Transfer: Public Service Departmental Arrangements Notice (No. 4) 2020

Date of Transfer : Effective from 1 December 2020

The assets and liabilities transferred as a result of this changes are as follows:

	2020-21 Controlled		
	Transfer-In $'000	**Transfer-out $'000**	**Net amount**
Cash	23,104	3,541	19,563
Receivables	17,102	1,332	15,770
Land held for sale	..	..	..
Other current assets	..	17	(17)
Asset held for sale	22,000		22,000
Total current assets	62,206	4,890	57,316
Receivables	53,143	19,524	33,619
Property, plant & equipment	10,684	..	10,684
Intangibles	..	2,528	(2,528)
Total non-current assets	63,827	22,052	41,775
Total assets	**126,033**	**26,942**	**99,091**
Payables	718	189	529
Accrued employee benefits	400	1,795	(1,395)
Other current liabilities	267	1,839	(1,572)
Total current liabilities	1,385	3,823	(2,438)
Total liabilities	**1,385**	**3,823**	**(2,438)**
Net assets	**124,648**	**23,119**	**101,529**

The increase in net assets of $101.529 million was accounted for as an increase in contributed equity as disclosed in the statement of changes in equity.

Budgeted appropriation revenue of $79.777 million (controlled books) was reallocated to Treasury from DTIS as a result of the transfer-in of the Investment Facilitation and Partnerships functions.

Budgeted appropriation revenue of $33.481 million (controlled books) and $417.450 million (administered books) was reallocated from Treasury to DSDILGP with the transfer-out of the Planning and Infrastructure and Economic Resilience functions (controlled).

2 Objectives and major activities of the department (continued)

Machinery-of-government Changes 2019-20

Details of Transfer: Planning, Infrastructure and Economic Resilience portfolios transferred from Department of Regional Development and Manufacturing (DRDM)

Basis of Transfer: Administrative Arrangement Order (No .1) 2020

Date of Transfer : Effective 1 June 2020

The assets and liabilities transferred as a result of this changes are as follows:

	2019-20	
	Controlled $'000	Administered $'000
Cash*	2,009	3,024
Receivables	838	(988)
Total current assets	2,847	2,036
Receivables	19,524	..
Intangible assets	3,258	..
Total non-current assets	22,782	..
Total assets	**25,629**	**2,036**
Payables	134	2,036
Accrued employee benefits	1,132	..
Other current liabilities	1,581	..
Total current liabilities	2,847	2,036
Total liabilities	**2,847**	**2,036**
Net assets	**22,782**	**..**

* As at 30 June 2020, there was no actual cash transfer. These amounts were recognised by Treasury as receivable from DRDM.

The increase in net assets of $22.781 million has been accounted for as an increase in contributed equity as disclosed in the statement of changes in equity in 2019–20.

Budgeted appropriation revenue of $8.110 million (controlled books) and $48.212 million (administered books) in 2019–20 was reallocated from DRDM as part of the machinery-of-government changes.

2 Objectives and major activities of the department (continued)

e) Transfer of Queensland Productivity Commission (QPC)

Under the Debt Reduction and Savings Act 2021, Queensland Productivity Commission (now abolished) has joined Treasury as the Office of Productivity and Red Tape Reduction (OPRTR) under the Economic and Fiscal Division effective 2 June 2021. The following are the asset and liabilities transferred based on the final financial statements audited by the Queensland Audit Office (QAO):

	2020-21 Controlled $'000
Cash and cash equivalents	1,111
Receivables	96
Right-of-use assets	168
Total Assets	**1,375**
Trade and other payables	25
Lease liabilities	180
Provisions	25
Total Liabilities	**230**
Net position	**1,145**

The net position transferred is recognised as a “Gain on transferred assets” in the Controlled Statement of Comprehensive Income. Upon transfer to Treasury, the right-of-use assets and lease liabilities from the accommodation cost under AASB 16 *Leases,* were recognised as property expenses upon full payment of the lease liability for the remaining 4 months lease term.

f) Climate risk disclosure

Treasury addresses the financial impacts of climate related risks by identifying and monitoring accounting judgements and estimates that will potentially be affected, including asset useful lives, fair value of assets, provisions or contingent assets and liabilities, and changes to expenses and revenue.

Based on our assessment, there is no direct impact on Treasury’s accounts for 2020–21. The fiscal impact of climate change on taxes and royalty revenue, will emerge over the medium to long term, along with the implications for the State’s balance sheet. As at reporting date, the effect cannot be quantified.

QTH has not identified any material climate related risks relevant as at 30 June 2021 but will continuously monitor the emergence of such risks.

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
3 Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in the Statement of Comprehensive Income				
Budgeted appropriation revenue	371,772	255,353	371,772	255,353
Transfer (to)/from other departments - redistribution of public business	..	..	..	..
Transfer (to)/from other heading - variation in headings	..	(429)	..	(429)
Lapsed appropriation revenue	(29,555)	(648)	(29,555)	(648)
Total appropriation receipts	342,217	254,276	342,217	254,276
Less appropriation revenue receivable MoG transfer in	(9,358)	..	(9,358)	..
Plus opening balance of deferred appropriation payable to Consolidated Fund	30,034	28,083	30,034	28,083
Less closing balance of deferred appropriation payable to Consolidated Fund	(58,390)	(30,034)	(58,390)	(30,034)
Appropriation revenue recognised in Statement of Comprehensive Income	304,503	252,325	304,503	252,325
Variance between original budgeted and actual appropriation revenue	67,269	3,028	67,269	3,028
Reconciliation of payments from Consolidated Fund to appropriated equity adjustments recognised in contributed equity				
Budgeted equity adjustment appropriation	(9,254)	15,900	(9,254)	15,900
Transfer (to)/from other heading	160,625	429	160,625	429
Total equity adjustment receipts	151,371	16,329	151,371	16,329
Plus closing balance of equity adjustment receivable	2,153	..	2,153	..
Plus opening balance of equity adjustment payable	4,355	3,365	4,355	3,365
Less closing balance of equity adjustment payable	(20,950)	(4,355)	(20,950)	(4,355)
Appropriated equity adjustment recognised in contributed equity	136,929	15,339	136,929	15,339

Accounting policy – Appropriation revenue

Appropriations provided under the *Appropriation (2020-2021) Act 2021* are recognised as revenue when received under AASB 1058 *Income of Not-for-Profit entities.* In some circumstances when approval is granted a deferred appropriation payable is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position in CF for the reporting period.

4 User charges and fees

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
FPS Fund contributions	42,849	21,434	42,849	21,434
Sale of services - from contracts with customers	14,618	9,505	14,618	9,505
Assessment fees	1,774	845	1,774	845
Other fees	8	6	8	6
	59,249	31,790	59,249	31,790

Accounting policy – User charges and fees

User charges and fees are recognised in accordance with the appropriate revenue accounting standard.

Treasury recognises revenue from sale of services to customers under AASB 15 *Revenue from Contracts with Customers*. Revenue is recognised when Treasury transfer control over the goods or service to the customer. Revenue from Queensland Government Statistician's Office (QGSO) and Office of State Revenue (OSR) contracts with customers are recognised when the service has been provided. The contracts have specific performance obligations and the timing of revenue recognition is when the specific performance obligation is satisfied which is at a point in time or over a period.

Revenue that is not within the scope of AASB 15 are recognised under AASB 1058 *Income of Not-for-Profit Entities* where revenue is recognised upfront or when the corresponding asset (cash or receivable) is recognised and received. Fund contributions and assessment fees from the FPS Fund scheme are collected under the MERFP Act 2018 and are recognised when an assessment is issued, and the corresponding cash is received, or receivable is recognised.

Other fees include property rental income which is recognised as per contractual arrangement upfront when received and revenue is not deferred.

5 Interest revenue

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
Interest – lease receivables *	6,015	5,276	1,037	..
Interest – loans and receivables **	2,445	2,713	..	..
Interest – QTC	777	1,408	..	..
Interest – Financial Provisioning	588	659	588	659
Interest – others	68		68	
	9,893	10,056	1,693	659

* Relates to interest recognised on lease receivables from Dalrymple Bay Coal Terminal Holdings (DBCTH) Pty Ltd and finance lease receivable (refer note 14).

** Relates to interest recognised on QTH financial assets acquired from Brisbane Port Holdings Pty Ltd (BPH) following the long-term lease of the Port of Brisbane (refer note 14).

Accounting policy – Interest revenue

Interest revenue is recognised using the effective interest rate and recognised on a proportional basis taking into account interest rates applicable.

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000

6 Dividend received

	2021	2020	2021	2020
Dividend - AZJ	..	..	205,973	..
Dividend - QTH controlled entities	15,434	14,336	..	..
	15,434	14,336	205,973	..

Treasury received an in-specie dividend of the remaining Aurizon shares (AZJ) from QTH as the Under Treasurer is the holder of “A” shares. These shares were transferred to QTC as part of the Debt Retirement Fund (DRF) portfolio, refer to Note 40.

7 Gain/(loss) on transfer of assets/fair value movement of investments

	2021	2020	2021	2020
Losses on shares - revaluation *	(64,263)	(26,365)	..	..
Losses on shares transferred **	(205,973)	..	(205,973)	..
Gain/(loss) on fair value movement ***	(23,606)	(24,247)	(18,798)	(4,354)
Gain on transferred assets ****	1,145	..	1,145	..
	(292,697)	(50,612)	(223,626)	(4,354)

* Relates to the market price movement on shares held in Aurizon Holdings Ltd. by QTH from prior year to their transfer as an in-specie dividend. Recognised at the closing listed market price of $3.75 per share at the time of transfer (2020: $4.92 per share).
** A loss was recognised on the transfer of the shares as per note 6 above.
*** Relates to the unrealised fair value movement of other financial assets (Refer note 15).
**** Relates to the net position transferred from QPC (Refer note 2 (e)).

8 Employee expenses

	2021	2020	2021	2020
Wages and salaries*	108,115	93,606	108,115	93,606
Annual leave levy	12,981	11,050	12,981	11,050
Employer superannuation contributions - accumulation schemes	11,349	9,301	11,349	9,301
Employer superannuation contributions - defined benefit scheme	2,965	2,806	2,965	2,806
Long service leave levy	2,761	2,353	2,761	2,353
Leave on-cost reimbursements	(1,243)	(1,213)	(1,243)	(1,213)
Other employee related expenses	1,091	2,088	1,091	2,088
Termination payments	408	705	408	705
Workers' compensation premium	112	118	112	118
	138,539	120,814	138,539	120,814

* Wages and salaries in 2019-20 include $1.093 million of $1,250 one-off, pro-rata payments for 874.16 full-time equivalent employees (announced in September 2019).

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis is based upon the fortnight ending 2 July 2021 (reflecting Minimum Obligatory Human Resource Information (MOHRI) methodology) is:

	2021	2020	2021	2020
Number of employees:	1,092	1,187	1,092	1,187

8 Employee expenses (continued)

Accounting policy – Employee expenses

Salaries and wages

Salaries and wages expenses due but unpaid at reporting date are recognised in the statement of financial position at the current salary rates. As Treasury expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Sick leave

History indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in 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.

Annual leave and Long service leave

Under the Annual Leave Central Scheme (ALCS) and Long Service Leave Scheme (LSL), a levy is made on Treasury 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 from the scheme quarterly in arrears.

No provision for annual leave and long service leave is recognised in Treasury's financial statements, the liability being held on a whole-of-government basis and reported in those financial statements prepared pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Superannuation

Employer superannuation contributions are paid to QSuper and other members' choice superannuation funds. Contributions are expensed in the period in which they are paid or payable. Treasury's obligation is limited to its contribution to QSuper and other members' choice superannuation funds.

Superannuation benefits are provided through defined contribution plan or through the Queensland Government's QSuper defined benefit plan. Under the 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. For the defined benefit plan, the liability 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 is based upon the rates determined on the advice of the State Actuary. Contributions are paid by Treasury at the specified rate following completion of the employee's service each pay period.

Key management personnel and remuneration

The Minister is identified as part of the Treasury's key management personnel (KMP), consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. The Minister is the Treasurer and Minister for Investment – Cameron Dick effective May 2020.

The Treasurer's remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. Treasury 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 Treasury's other KMP 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. No non-ministerial KMP remuneration packages provide for performance or bonus payments.

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses, including:

- salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position
- performance payments recognised as an expense during the year
- non-monetary benefits - consisting of provision of vehicle 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.

8 Employee expenses (continued)

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.

Transactions with people/entities related to KMP

There are no related party transactions with the Treasury consolidated entity that involve KMP, close family members and/or their personal business interests.

The following table for non-ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of Treasury during the respective reporting periods. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

There are new KMP for 2020–21 following the machinery-of-government (MoG) changes effective 1 December 2020.

In 2020-21, changes in KMP positions occurred as a result of a change in the organisational structure during the year. The KMP details in italics represents the previous responsibilities held by the KMP. In 2019–20, there was a change in some KMP positions to align with the department's new operating model that was effective from 2 January 2020. The KMP details in italics represents the positions under the Treasury organisational structure up to 31 December 2019.

The amounts disclosed below reflect expenses recognised in the Statement of Comprehensive Income:

8 Employee expenses – *(a) Key management personnel and remuneration* (continued)

1 July 2020 - 30 June 2021

Position	Responsibilities	Date appointed to position (End date of position)	Short term employee expenses Monetary expenses* $'000	Long term employee expenses $'000	Post-employment expenses $'000	Termination benefits $'000	Total $'000
Acting Under Treasurer *(Deputy Under Treasurer)*	Responsible for executive leadership, strategic direction of the department and whole-of-government financial management *(Responsible for Economics, Fiscal and Commercial)*	29-Apr-21 *(25-May-20 to 28-Apr-21)*	459	9	48		516
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-government financial management	11-May-20 to 28-Apr-21**	441	11	58		510
Deputy Under Treasurer *(Deputy Under Treasurer)*	Responsible for Policy, Performance and Corporate *(Responsible for Corporate and Strategic Initiatives)*	1-Jul-20 *** *(02-Jan-20* to *30-Jun-20)*	381	8	42		431
Commissioner of State Revenue and Registrar of SPER *(Commissioner of State Revenue)*	Responsible for the Office of State *Revenue*	1-Jul-20 *(2-Jan-20 to 30-Jun-20)*	301	7	33		341
Deputy Under Treasurer *(Deputy Under Treasurer)*	Responsible for Commercial and Investment *(Responsible for Investment Facilitation and Partnerships)*	29-Apr-2021 *(1-Dec-20 to 28-Apr-2021)*	152	3	16		171
Acting Deputy Under Treasurer	Responsible for Economics and Fiscal	29-Apr-21	44	1	5		50
State Planner	Responsible for Planning	1-Jun-20 to 30-Nov-20	115	3	12		130
Deputy Under Treasurer	Responsible for Infrastructure and Economic Resilience	1-Jun-20 to 30-Nov-20	103	2	12		117
Total Expenses			1,996	44	226	..	2,266

* Treasury does not have any non-monetary benefits to disclose in relation to its KMP.
** The Under Treasurer was on leave from 29 April 2021 to 7 May 2021 and the end date of the appointment to the Under Treasurer's position is 7 May 2021.
*** Deputy Under Treasurer is leaving to become Director-General of Department of Regional Development, Manufacturing and Water, effective 2 August 2021.

8 Employee expenses – *(a) Key management personnel and remuneration* (continued)

1 July 2019 - 30 June 2020

Position (a)	Responsibilities	Date appointed to position (End date of position)	Short term employee expenses Monetary expenses** $'000	Long term employee expenses $'000	Post-employment expenses $'000	Termination benefits $'000	Total $'000
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-government financial management	11-May-20	86	2	9	..	97
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-government financial management	11-Feb-19 to 10-May-20	577	11	62	..	650
Deputy Under Treasurer	Responsible for Corporate and Strategic Initiatives *(To provide expert advice and support to the department on strategic initiatives and major policy decisions)*	2-Jan-20 *(4-Mar-19 to 1-Jan-20)*	360	8	39	..	407
Acting Head Budget and Financial Management *(Acting Deputy Under Treasurer)*	Responsible for Budget and Financial Management *(Responsible for Economic and Fiscal Coordination)*	1-Jan-20 *(3-18 Aug-19, 23-Sep-19 to 31-Dec-19)*	206	4	16	..	226
Acting Deputy Under Treasurer *(Acting Deputy Under Treasurer)*	Responsible for Economics, Policy and Commercial *(Responsible for Agency Performance and Investment)*	1-Jan-20 to 24-May-20 *(3-Sep-18 to 31-Dec-19)*	220	5	23	..	248
State Revenue Commissioner	Responsible for the Office of State Revenue	2-Jan-20	153	3	16	..	172
Deputy Under Treasurer	Responsible for Budget and Financial Management	25-Sept-17 to 20 Sept 19	73	1	6	226	306
Acting State Revenue Commissioner	*Responsible for the Office of State Revenue*	*6-Jul-19 to 31-Dec-19*	140	3	12	..	155
Acting Executive General Manager	*Responsible for Risk and Intelligence*	*8-Jul to 4 Aug-19, 5-Oct to 31-Dec-19*	70	2	7	..	79
Acting Deputy Under Treasurer	*Responsible for Agency Performance*	*12-Dec-17 to 1-Jan-20*	100	3	13	..	116
Acting Deputy Under Treasurer	*(Responsible for Commercial Services)*	*5-Jun-17 to 31-Dec-19*	141	3	11	..	155
Total Expenses			2,126	45	214	226	2,611

(a) The following positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value:
State Planner, Planning and Deputy Under Treasurer, Infrastructure and Economic Resilience who transferred to Treasury as part of the machinery-of -government changes in 2019–20, effective 1 June 2020, and Deputy Under Treasurer, Economic, Fiscal and Commercial appointed on 25 May 2020 are also included as KMP as at 30 June 2020.
** Treasury does not have any non-monetary benefits to disclose in relation to its KMP.

9 Supplies and services

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
Contractors and employment agency charges	36,285	40,981	36,285	40,981
Computer charges	28,787	30,958	28,787	30,958
Property charges and fees	19,771	17,854	19,771	17,854
Professional legal fees, service fees and charges	15,510	6,204	15,510	6,204
SPER call centre costs	6,320	12,724	6,320	12,724
Telecommunications, advertising and other materials and equipment	6,297	6,365	6,297	6,365
Consultants	3,380	9,252	3,380	9,252
Other supplies and services	301	822	301	822
	116,651	125,160	116,651	125,160

Accounting policy – Supplies and services

Treasury recognises expenses when incurred, usually when goods are received, or services are consumed, which may not be when the goods or services are paid for.

Under AASB 16 *Leases* effective 1 July 2019, lease arrangements with substantive substitution rights are exempt from lease accounting as they do not satisfy the definition of a lease. Accommodation and other property expenses incurred in relation to 1 William Street are recognised under "Property charges and fees" as these are considered exempt from lease accounting under AASB 16 due to the substantive substitution rights. Straight-line leasing liability recognised in previous years was derecognised against opening retained earnings as a transitional adjustment on the adoption of AASB 16 for 2019–20.

Lease arrangements that are of low value, short-term and does not satisfy the definition of a lease under AASB 16 are recognised as expense when incurred and exempt from recognition on the statement of financial position.

10 Grants and subsidies

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
Queensland departments	37,172	5,186	37,172	5,186
Industry Attraction	30,936	..	30,936	..
Local government and authorities	752	..	752	..
Others	..	6,408	..	6,408
	68,860	11,594	68,860	11,594

Accounting policy – Grants and subsidies

Grants and subsidies are recognised when the grant/subsidy has been paid or when the grantor/recipient incurs the right to receive the grant.

Grants expense to Queensland departments for 2020–21 includes the transfer of the Resource Community Infrastructure Fund (RCIF) to DSDILGP in February 2021. The total grant composed of the contributions received in the fund and interest revenue earned on the fund balance. The contributions from the Mineral Resources entities were recorded as Grants Revenue when received. The grant expense also includes FPS grants which are recognised when payments are made to DES or Department of Resources.

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
11 Other expenses				
Bank charges	1,206	1,493	1,206	1,493
Internal audit fees	1,112	977	1,112	977
External audit fees*	816	756	773	713
Company secretariat and accounting services – QTC	338	390	..	..
Sponsorships and special payments	127	..	127	..
Qld Government Insurance Fund - insurance premiums	35	36	35	36
Other audit fees**	..	315	..	315
Sundry expenses	1,459	1,001	772	325
	5,093	4,968	4,025	3,859

* Total departmental audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements for the parent entity is $485,000 (2020: $485,000), which excludes the WoG financial statement audit costs. WOG Audit fee for 2020-21 is $283,500 (2020: $215,000).
** Other audit fees in 2019-20 include audit fees paid to QAO for additional auditing activities in relation to a performance audit on the effectiveness of SPER ICT Reform.

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
12 Income tax benefit				
Current tax comprises:				
Current tax on profit for the year	2,201	2,275	..	..
Current tax on capital gain	19,773	..	..	..
	21,974	2,275	..	..
Deferred tax comprises:				
Increase in deferred tax asset	(20,564)	..	..	..
Decrease in deferred tax liability	(19,931)	(13,883)	..	..
	(40,495)	(13,883)	..	..
Income tax benefit	(18,521)	(11,608)	..	..
Numerical reconciliation of income tax expense to prima facie tax payable:				
Loss before income tax expense	(50,981)	(28,515)	..	..
Less: (profit)/loss of non-taxable entities	47	(142)	..	..
Less: dividends received from AZJ (Franked)	(10,804)	(10,035)	..	..
Profit before income tax benefit	(61,738)	(38,692)	..	..
Tax at the Australian company tax rate of 30%	(18,521)	(11,608)	..	..
Income tax benefit	(18,521)	(11,608)	..	..

Accounting policy – Income tax expense

Current tax is the expected tax payable on the taxable income for QTH for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

13 Cash and cash equivalents

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
QTC Cash Fund	114,649	94,439	..	..
Cash at bank	116,266	62,261	116,150	62,239
Cash at bank - Surety	78,993	61,034	78,993	61,034
Cash at bank - Fund	15,606	19,860	15,606	19,860
	325,514	237,594	210,749	143,133

Accounting policy – Cash and cash equivalents

Cash assets include all cash and deposits at call with financial institutions. Cash equivalents include investments with short periods to maturity that are readily convertible to cash on hand at Treasury's option and that are subject to a low risk of changes in value. Cash at bank-Surety relates to the surety received for the FPS. Cash at bank- Fund relates to the contributions and fees received for FPS.

Bank accounts grouped within the whole-of-government set-off arrangement with QTC do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues in CF.

14 Receivables

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
Current				
Receivables of operating nature	3,621	2,645	3,621	2,645
Less: allowance for impairment	..	..	..	..
	3,621	2,645	3,621	2,645
Finance lease receivable	9,400	..	9,400	..
Loan receivable	7,258	6,774	..	..
Annual leave reimbursements	2,269	982	2,269	982
Equity injection receivable	2,153	..	2,153	..
GST input tax credits receivable	1,963	1,576	1,963	1,576
Lease receivable	1,559	1,493	..	..
Long service leave reimbursements	522	236	522	236
Sundry receivable*	1,898	2,558	1,898	2,558
	27,022	13,619	18,205	5,352
Total current	30,643	16,264	21,826	7,997
Non-current				
Lease receivable	101,339	102,898	..	..
Finance lease receivable	46,673	..	46,673	..
Loan receivable	28,857	33,896	..	..
Trade receivable**	..	19,524	..	19,524
Total Non-current	176,869	156,318	46,673	19,524

* In 2019-20, includes receivable from DRDM relating to cash at restructure from the MoG effective 1 June 2020. There was no actual cash transfer as at 30 June 2020 (note 2 (d)).

**Relate to payments to be received for a parcel of land under development by the Department of State Development, Tourism and Innovation. Payments are to be made after the land has been developed. This has been transferred out to DSDILGP as part of the MoG effective 1 December 2020.

14 Receivables (continued)

Accounting policy - Receivables

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

Receivables of an operating nature are recognised at the amounts due at the time of service delivery i.e. the agreed purchase/contract price. Settlement is generally required within 30 days from invoice date.

Loans receivable is a non-derivative financial asset that are not quoted in an active market and are carried at amortised cost using the effective interest method. The Port of Brisbane loan receivable is discounted at 6.55% and includes the rights to fixed annual payments up to 31 December 2025.

Lease receivable represents payments due from the Dalrymple Bay Coal Terminal (DBCT), primary lessee under the plant lease, on-shore sub-lease, offshore sub-sub-lease and road sub-sub-lease. The terms of the plant lease and on-shore sub-lease are 50 years each (30 years remaining), with options to renew for a further 49 years, while the off-shore sub-sub-lease and road sub-sub-lease terms are 99 years each. There are no guaranteed residuals for any of the leases. Under AASB 16 Leases adopted for 2019-20, this lease arrangement does not qualify as a lease for reporting purposes.

Accounting policy – Impairment of receivables

The allowance for impairment loss reflects expected credit losses and incorporates reasonable and supportable forward-looking information, including the impact of expected economic changes to Treasury's debtors, alongside with relevant industry data where applicable. The most readily identifiable loss event is where a debtor is overdue in paying a debt to Treasury and its controlled entities, according to the due date (normally terms of 30 days).

There is no allowance for impairment loss recognised for Treasury's receivables from Queensland Government agencies or Australian Government agencies based on materiality. Credit risk for these receivables are considered low.

If there is no expected credit loss event in respect of a debtor or group of debtors, no allowance for impairment loss is made with respect of that debt/group of debtors. If Treasury and its controlled entities determine that an amount owing by such a debtor does become uncollectable (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written off directly against receivables.

Credit risk exposure of receivables

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for impairments. No collateral is held as security and no credit enhancements relate to the financial assets held by Treasury.

Credit risk exposure refers to the situation where Treasury and its controlled entities may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk is managed pursuant to internal policies. These focus on the prompt collection of revenues due and payable to Treasury and follow-up of outstanding fees and charges within specified timeframes. Any write-offs require high level approval.

Treasury measures the lifetime expected credit loss on receivables using a provision matrix based on the aging of debts. Receivables of an operating nature are assessed for probability of default or non-collection. Other factors such as payment arrangements and forward-looking information such as economic factors affecting the payment capacity and ability of debtors are also considered. Majority of Treasury's receivables of an operating nature are from Queensland Government agencies which are considered low risk. There is no change in the current credit risk exposure of receivables arising from COVID-19 impacts to debtors.

Finance Lease

Treasury has recognised a finance lease receivable under AASB 16 as all the risks and rewards of ownership of the property have passed on to the lessee. Treasury does not retain the rights associated with the underlying assets. The finance lease receivable was transferred as part of the MoG with DTIS effective 1 December 2020. The finance lease is under a 10-year lease agreement with a private entity, where lease repayments will be made to Treasury over the term of the lease. Finance lease receivables are recognised at amounts representing the net investment in the lease. The implicit interest is recognised over the term of the lease as interest income.

The following table sets out the maturity analysis of future undiscounted lease payments receivable under the finance lease.

	2021 $'000	2020 $'000
Less than 1 year	9,400	..
1 to 2 years	9,400	..
2 to 3 years	9,400	..
3 to 4 years	9,400	..
4 to 5 years	9,400	..
More than 5 years	37,221	..
Total	84,221	..

		Consolidated Entity		Parent Entity	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
15	**Other financial assets**				
	Current				
	Shares – AZJ *	..	270,236	..	..
	Financial Provisioning Fund investments	46,132	..	46,132	..
		46,132	270,236	46,132	..
	Non-current				
	QIC Investments - Backing Queensland Business Investment Fund	147,522	..	147,522	..
	QIC investments - Business Development Fund	65,537	72,284	65,537	72,284
	Licence fee receivable**	52,132	56,940	..	..
	QIC investments - CARP Pharmaceuticals	4,000	4,000	4,000	4,000
		269,190	133,224	217,058	76,284

* In 2020-21, the remaining Aurizon shares (54,926,186 shares) in QTH was paid as an in-specie dividend to the holder of "A" shares (Queensland Treasury as Parent entity). The shares were previously recognised at market value at the time of transfer of $3.75 per share for 2021 (2020: $4.92). Refer to notes 6 and 7.

** The fair value is estimated based on discounted value of projected trade volume and price growth. The discount rate is applied against expected cash flows under a revenue sharing arrangement based on a pre-tax discount rate. The discount rate was revised from 9.15% to 8.41% for the year ended 30 June 2021 (2020: discount rate was revised from 9.48% to 9.15%).

Accounting policy – Other financial assets

Treasury carries equity investments and other financial assets at fair value through profit and loss (FVTPL) under AASB 9 *Financial Instruments*.

The fair value of investments in AZJ shares reflects unadjusted quoted market price.

Queensland Investment Corporation (QIC) Investments – Business Development Fund (BDF)

The BDF invests in emerging and innovative Queensland businesses. The fair value methodology for the BDF is a Level 2 input as it is based on substantially derived inputs that are observable either directly or indirectly. Investment in the BDF provides the co-investor with a call option (from the 2nd to 5th year of investment) and the BDF with a put option under limited circumstances (over the life of investment). The BDF treats the call and put option as embedded derivatives of the equity investment as they are closely related to the investment, and accounts for the entire investment as a single financial instrument. The fair value is determined depending on the holding period of the investment in the fund as follows:

(a) Investments held for less than 2 years – initial cost of investment

(b) Investments held between 2-5 years – cost plus interest (with interest calculated as QTC's 10-year bond rate plus 2%) as the call option provides a cap for any increase in fair value

(c) Investment held for more than 5 years – based on latest equity raised.

Over the life of the investment, decrease in fair value will be assessed for each investment by identifying any indicators of fair value drop based on information provided by the investees' management teams and may include valuations attributed to the investee as a result of subsequent funding rounds, audited or unaudited financial statements, cash flow projections and other management reports.

The are no additional investments by QIC to Queensland businesses under the BDF.

<u>*Impact of COVID-19*</u>

The fair value assessment of the BDF as at 30 June 2021 incorporates the impact of COVID-19 to the investee companies. A fair value increase of $2.152 million has been reported for 2020-21 due to the exercise of call options for exiting investees (2020: decrease in fair value of $4.354 million).

15 Other financial assets (continued)

QIC Investment – CARP Pharmaceuticals

Treasury invested $4 million in the QIC Cash Fund established for the purpose of investing in shares of CARP Pharmaceuticals as Queensland Government's support for the research and development of drugs for the treatment of various cancers. The funding source for this investment is an equity injection from CF. As at 30 June 2021, the cash fund has invested $2.5 million in CARP Pharmaceuticals.

QIC manages the investment of the fund. The fund invests in CARP Pharmaceuticals based on the schedule of tranches payment as per the Shareholders Subscription Agreement. Remaining payment of tranches has not been made in 2020-21.

The investment is measured at FVTPL. As the investment is at an early stage, the cost of the investment approximates the fair value of the investment. Further assessment of fair value will include consideration for additional funding or capital raised. Over the life of the investment, fair value decreases will also be assessed based on potential impairment of the investment. The fair value methodology is considered a level 2 input.

Financial Provisioning (FP) Fund Investments

Treasury's FP Fund invests in the QIC Cash Enhanced Fund (QIC Fund) in accordance with the requirements of *MERFP Act 2018.* The QIC Fund invests in a short-term, liquid portfolio of low risk discount securities, term deposits and short-term floating rate notes. The equity investment is measured at FVTPL based on the net asset value of the fund as provided by QIC as at reporting date.

Backing Queensland Business Investment Fund (BQBIF)

Treasury has established the BQBIF as part of the economic recovery initiative for COVID-19. The funding source for this investment is held in CF and drawn by Treasury when suitable investments are approved. The BQBIF is composed of two sub-funds: Business Investment Fund (BIF) and Strategic Asset Investment Fund (SAIF). The BIF will invest in equity instruments while the SAIF will invest in either debt or equity instruments. The fund is managed by QIC. The BQBIF is measured at FVTPL based on the net asset value of the fund as provided by QIC as at reporting date.

As at 30 June 2021, the fair value of investments in BQBIF is $147.5 million consisting of $39.9 million in the BIF and $107.6 million in the SAIF.

License fee receivable

QTH carries license fee receivable as a financial asset at FVTPL. The fair value of the license fee receivable is based on the revenue sharing arrangement whereby Brisbane Port Holdings Pty Ltd (BPH), a controlled entity of QTH was to receive a percentage of revenue above a hurdle amount from the Port Manager, Port of Brisbane Pty Ltd (PBPL), for a period of 35 years. In 2011, QTH made an upfront payment of $121 million to BPH for the rights to these cash flows using funds provided from QTC. The upfront payment was based on assumed volume growth for the Port of Brisbane using macroeconomic forecasts combined with analysis of local market and supply chain constraints. The license fee which is payable up to 2050 has been valued using the present discounted value of the future expected cash flows. These cash flows are discounted at a rate which considers the risks and uncertainties which exposes QTH to volatility over future revenues and therefore the valuation of the investment. At each balance date the receivable is reviewed incorporating current projections of trade volumes and price growth. This method is used to estimate the fair value as there is no active market for a receivable of this type.

	Consolidated Entity		Parent Entity	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
16 Land held for sale				
Land	22,000		22,000	

Accounting policy – Land held for sale

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, land held for sale are assets that are determined as available for immediate sale, of which the sale is highly probable. The assets held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell. The assets are not depreciated.

Land held for sale as at 30 June 2021 relates to land transferred to Treasury as part of the MoG as at 1 December 2020 (Note 2(d)). The land is classified as held for sale as the cost will be principally recovered through sale and the land is not used for Treasury's operating requirements. It is expected to be sold within the next 2 years. The fair value of the asset is based on the agreed option sale price of the property.

17 Property, plant & equipment

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
Land - at fair value	5,515	..	5,515	..
Buildings - at fair value	6,317	..	6,317	..
Less: accumulated depreciation	(219)	..	(219)	..
Net carrying amount	6,098	..	6,098	..
Other equipment - at cost	213	189	213	189
Less: accumulated depreciation	(120)	(85)	(120)	(85)
Net carrying amount	93	104	93	104
Total Property, plant & equipment	11,706	104	11,706	104

Accounting policy – Property, plant & equipment

Recognition

Items of property, plant and equipment with a historical cost equal to or exceeding the following thresholds in the year of acquisition are recognised as property, plant and equipment in the following classes:

- Land $1
- Buildings $10,000
- Plant and Equipment $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 Treasury. 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.

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition, plus all other costs incurred in getting the assets ready for use.

Complex assets

Complex assets comprise separately identifiable components of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset. The asset recognition thresholds above apply to the complex asset as a single item. The measurement, depreciation and impairment of the complex asset is the same as the asset class it relates to.

Treasury's complex asset is its special purpose land and building facility used for Community Recreational Activities.

Measurement

Land and buildings are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies (NCAP) 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. The cost of items acquired during the financial year are considered to materially represent their fair value at the end of the reporting period.

Other equipment is measured at historical cost in accordance with Queensland Treasury's Non-Current Asset Policies (NCAP) for the Queensland Public Sector. The carrying amounts are not materially different from their fair value.

Revaluation at fair value

Land and Buildings measured at fair value are assessed on an annual basis either by appraisals undertaken by an independent professional valuer on a four-year rolling basis or by use of appropriate and relevant 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. Treasury ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. An independent professional valuer supplies the indices used for the various types of assets. Such indices are either publicly available or are derived from market information available to the valuer.

17 Property, plant and equipment (continued)

The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by performing a benchmarking exercise with publicly available relevant indices. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by the valuer based on the Treasury's own particular circumstances.

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 class.

For assets revalued using a market or income-based valuation approach, accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

For asset revalued using the cost valuation approach (e.g. current replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses.

Land and building assets transferred through machinery-of-government change from DTIS

Land and building assets were transferred from DTIS on 1 December 2020 based on the current asset values as per DTIS books. These assets were revalued by State Valuation Services (SVS) to reflect their fair value at 30 June 2021. The land and building assets were revalued using a market approach except for the complex asset, which was revalued using a cost approach.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. Where the building assets fall within an active and liquid market, the market value represents the improved value of land and the building asset on an added value basis. The cost approach for the complex asset used analysis of cost information relative to market driven indexation factors such as Locality (LI) and Building Price Index (BPI).

SVS revalued 53% of the asset portfolio by specific appraisal. This involved searches (includes but not limited to SmartMaps, QVAS and vMaps), investigation of sales and market data, physical internal and external inspection of assets.

Where the asset is not subject to a specific appraisal in the reporting period, SVS uses the most appropriate index for the particular asset. SVS applied a desktop index to 15% of the assets and a standard index for the remaining 32% of the assets.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less any estimated residual value, progressively over its estimated useful life to the department. Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to Treasury.

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

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.

For Treasury'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.

Property, plant and equipment	Depreciation rate
Building	2.56% - 33.33%
Other equipment	20.00% - 25.00%

Impairment

All property, plant and equipment are assessed for indicators of impairment on an annual basis, or where the asset is measured at fair value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB 13 *Fair Value Measurement*. If an indicator of possible impairment exists, Treasury determines the asset's recoverable amount under AASB 136 *Impairment of Assets*. Recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use.

For assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the revaluation surplus of the relevant asset class to the extent available. Where no revaluation surplus is available for the asset class, an impairment loss is recognised in the Statement of Comprehensive Income. When the asset's carrying amount exceeds the recoverable amount, an impairment loss is recognised.

17 Property, plant and equipment (continued)

Reconciliation	Land		Buildings		Other equipment		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Carrying amount at 1 July	..	..	..	..	104	63	104	63
Acquisitions	..	..	..	..	32	73	32	73
MoG transfer in	5,113	..	5,571	..	..	..	10,684	..
MoG transfer out	..	..	..	..	..	..	..	..
Disposals	..	..	..	..	(8)	..	(8)	..
Transfers between asset classes	..	..	..	..	..	..	..	..
Net revaluation increments in revaluation surplus	402	..	676	..	..	..	1,078	..
Depreciation *	..	..	(149)	..	(35)	(32)	(184)	(32)
Carrying amount at 30 June	5,515	..	6,098	..	93	104	11,706	104

* Depreciation of Property, plant & equipment is included in the line item 'Depreciation and amortisation' in the Statement of Comprehensive Income.

Categorisation of assets measured at fair value

	2021		
Assets	Level 1 $'000	Level 2 $'000	Level 3 $'000
Land	..	5,515	..
Building	..	1,163	4,936
Total	..	6,678	4,936

Refer to note 26(g) for fair value hierarchy.

18 Intangibles

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
Internally generated software				
– at cost	32,453	39,976	32,453	39,976
– accumulated amortisation	(15,250)	(17,520)	(15,250)	(17,520)
	17,203	22,456	17,203	22,456
Purchased software/licences				
– at cost	10,091	10,091	10,091	10,091
– accumulated amortisation	(9,977)	(9,897)	(9,977)	(9,897)
	114	194	114	194
Internally generated software work in progress				
– at cost	..	736	..	736
	..	736	..	736
Total intangibles				
– net book value	17,317	23,386	17,317	23,386

Accounting policy – Intangibles

All intangible assets of Treasury comprise internally developed and purchased software and software licences. Intangible assets with a historical cost greater than $100,000 are recognised as an asset, have finite useful lives and are amortised on a straight-line basis. The residual value of Treasury's intangible assets is zero.

Training costs and research activities relating to internally generated assets are recognised as an expense when incurred.

As there is no active market for the department's intangible assets, they are recognised and carried at historical cost less accumulated amortisation and impairment losses. Intangible assets are annually assessed for indicators of impairment, principally reviewing the actual and expected continuing use of the asset. If a potential indicator of impairment exists, Treasury determines the asset's recoverable amount under AASB 136 *Impairment of Assets*. Recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use. When the asset's carrying amount exceeds the recoverable amount an impairment loss is recognised.

For each class of intangible asset, the following amortisation rates were used:

Intangibles	Amortisation rates
– Internally generated software	10% - 25%
– Purchased software/licences	6.67% - 25%

Reconciliation	Internally generated software		Purchased software/licences		Internally generated software works in progress		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Carrying amount at 1 July	22,456	22,928	194	337	736	..	23,386	23,265
Acquisitions	791	..	..	..	..	1,297	791	1,297
MoG transfer in	..	3,257	..	..	..	..	..	3,257
MoG transfer out	(2,527)	..	..	..	..	..	(2,527)	..
Disposals	..	..	..	..	..	..	..	..
Transfers between asset classes	736	561	..	..	(736)	(561)	..	..
Amortisation *	(4,253)	(4,291)	(80)	(142)	..	..	(4,333)	(4,433)
Carrying amount at 30 June	17,203	22,456	114	194	..	736	17,317	23,386

* Amortisation of intangibles is included in the line item 'Depreciation and amortisation' in the Statement of Comprehensive Income.
Treasury has intangibles which are fully amortised and still in use that had an original cost of $9.652 million (2020: $11.246 million).

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
19 Payables				
Current				
Cash surety payable	78,993	61,034	78,993	61,034
Deferred appropriation payable to Consolidated Fund	58,390	30,034	58,390	30,034
Equity withdrawal payable	20,950	4,355	20,950	4,355
Tax payable*	20,235	246	259	195
Payables of operating nature	12,426	18,488	12,426	18,488
Grant payable	3,860	769	3,860	769
Interdepartmental payable	85	5,735	85	5,735
Sundry payables	1,046	1,054	276	300
	195,985	121,715	175,239	120,910
Non-current				
Payables of operating nature	988	1,341	..	..
	988	1,341	..	..

*Tax payable includes GST payable, FBT payable and Capital gains tax from QTH.

Accounting policy - Payables

Current payables are recognised upon receipt of goods and services at the agreed purchase price. Amounts owing are generally settled on 30-day terms and are unsecured. Deferred appropriation for services payable is recognised to reflect unused appropriation funding by Treasury to be returned to CF. Refer to note 3 for recognition of deferred appropriation for departmental services payable.

Cash surety for the Financial Provisioning Scheme are recognised as a liability when the cash is received. The surety is payable on demand to the environmental authority holder as the surety provided can be replaced with another form of surety approved by the Scheme Manager.

Grants payable in 2019-20 includes an adjustment to the GST revenue grant recognised by Treasury against the actual share of the State from the GST collections by the Commonwealth for the period (refer note 41).

Interdepartmental payable in 2019–20 represents payable to DRDM in relation to transactions post machinery of government changes effective 1 June 2020 (note 2 (d)).

	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000	Parent Entity 2021 $'000	Parent Entity 2020 $'000
20 Deferred tax asset and (liabilities)				
Attributable to temporary differences:				
Financial assets at fair value – AZJ	..	(39,052)	..	..
Investments in subsidiaries – DBCTH	(178)	(178)	..	..
Long term receivable – BPH licence fee*	20,735	19,293	..	..
Accrued audit fees	7	6	..	..
Subsidiary tax loss carry forward	20	6		
	20,584	(19,925)	..	..

Accounting policy - Deferred tax liability

Deferred tax liabilities are recognised by QTH for all taxable temporary differences between the carrying amount of assets and the corresponding tax base which is netted off against deferred tax asset.

*QTH has recognised a deferred tax asset in relation to the difference between the purchase price of a long-term receivable and its carrying amount. This receivable was originally recognised by QTH in 2011 at $121.2 million and is currently recognised at its fair value of $52 million due to the timing of the related cash flows which have been forecast to 2050. The long-term receivable has been discounted at 8.41% (2020: 9.15%) based on a pre-tax discount rate. The associated deferred tax asset has not been discounted based on the requirement of AASB 112 *Income Taxes*.

	Consolidated Entity		Parent Entity	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
21 Interest bearing liabilities				
Current loans with QTC				
Long-term lease loan*	1,559	1,493	..	..
	1,559	1,493	..	..
Non-current loans with QTC				
Long-term lease loan*	101,339	102,898	..	..
	101,339	102,898	..	..

* The Dalrymple Bay Coal Terminal long-term Lease Loan from QTC, a related party, is for a period of 50 years (30 years remaining), unless terminated earlier. Interest on the loan is fixed at 4.8% per annum, calculated on the daily balance and payable in arrears on each date rent is payable. A first ranking registered fixed and floating charge has been granted by DBCTH in favour of QTC over all the assets and undertakings of DBCTH.

Accounting policy – Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred with subsequent measurement at amortised cost using the effective interest rate method. Interest and fees payable are recognised in the period in which they are incurred.

22 Commitments

Capital expenditure commitments

Material capital expenditure commitments, inclusive of GST, contracted for but not recognised in the financial statements are payable as follows:

Not later than one year	..	1,110	..	1,110
Later than one year and not later than five years	..	..	..	..
Later than five years	..	..	..	..
Total commitments	..	1,110	..	1,110

Operating expenditure commitments

Material operating expenditure commitments, inclusive of GST, contracted for but not recognised in the financial statements are payable as follows:

Not later than one year	131,756	55,930	131,314	55,492
Later than one year and not later than five years	101,977	81,380	100,211	79,628
Later than five years	123,135	130,242	109,862	116,640
Total commitments	356,868	267,552	341,387	251,760

Treasury also has outstanding commitment of $19.781 million for 2021-22 relating to a finance lease agreement.

23 Contingencies

Financial Provisioning Scheme

Treasury holds non-cash surety in the form of bank guarantees and insurance bonds. Non-cash surety held by the Scheme Manager at 30 June 2021 is:

- Bank guarantees $ 5,289.628 million (2020: $6,330.973 million)
- Insurance bonds $ 1,382.238 million (2020: $643.533 million)

As at 30 June 2021 notices to provide surety have been issued to environmental authority holders for an aggregate value of $276.229 million (2020: $196.975 million). Subsequent to year end, the Scheme Manager became aware that claims may be made against surety around the value of $0.772 million (2020: $18.9 million). As the timing and amount of the claims are uncertain, the potential claims represent a contingency.

23 Contingencies (continued)

Guarantees

Guarantees held include bank guarantees in relation to the Advance Queensland Industry Attraction Fund (AQIAF) and Jobs and Regional Growth Fund (JARGF) for financial security against non-conformance of grant agreements. The total value of bank guarantees as at 30 June 2021 is $37.879 million.

Other bank guarantees and bonds amounting to $50.820 million were also held as at 30 June 2021.

Deed of Guarantee

On 31 July 2020, the Treasurer has guaranteed the financial obligations of borrowers under the Industry Support Package (ISP) loan facilities for the benefit of QTC up to maximum amount of $200 million under a Deed of Guarantee.

Native Title Claims

In January 2019, the Native Title Compensation Project Management Office (PMO) transferred from Department of Natural Resources, Mines and Energy to Queensland Treasury. The PMO is managing existing native title compensation claims that are progressing in the Federal Court and developing a whole of Government framework to settle future native title compensation claims. Liability for native title compensation will be assessed on a claim by claim basis, at the whole of Government level (note 25).

Environmental obligations

QTH has exposure to claims made against it through its subsidiaries and associated companies in relation to any pre-existing contamination of land assets. At balance date, there have been no claims made against QTH.

Land Tax

Under the Port of Brisbane Share Sale and Purchase Agreement, the State has agreed to pay to the port lessee any portion of the port lessee's Land Tax liability in years the Land Tax assessment for the leased area exceeds the estimated Land Tax assessment. The obligations are subject to certain conditions, including the lessee pursuing any objection available to it in relation to an assessment, and are limited to assessment years up to and including 30 June 2025. At balance date, there have been no payments made to the Port lessee.

Queensland Government Insurance Fund (QGIF)

Under the QGIF, Treasury will be able to claim back, less a $10,000 deduction, the amount paid for repairs of a damaged property.

24 Controlled entities

QTH is controlled by Treasury and its revenues, expenses, assets, liabilities and equity have been included within these financial statements. The Under Treasurer, as Trustee for the Treasurer of Queensland, holds a 60% beneficial interest in QTH, which comprises ownership of "A" class capital. The remaining 40% interest is held by the QTC for and on behalf of the Under Treasurer as the corporation sole of QTC. QTH acts as a corporate vehicle through which the Queensland Government invests in assets of strategic importance to the State. QTH is audited by the Auditor-General of Queensland.

QTH summarised financial statements	2021 $'000	2020 $'000
Income statement		
Net income/(loss)	(44,935)	(22,130)
Expenses	(6,046)	(6,385)
Income tax (benefit)/expense	(18,521)	(11,608)
Operating result for the year (after income tax)	**(32,460)**	**(16,907)**
Balance sheet		
Total assets	326,654	566,915
Total liabilities	(124,633)	(126,462)
Net assets	**202,021**	**440,453**

24 Controlled entities (continued)

	Net Assets	
	2021	2020
Name of controlled entity	**$'000**	**$'000**
Queensland Treasury Holdings Pty Ltd holds 100% ownership interest in the following material subsidiaries:		
Controlled entities of QTH		
City North Infrastructure Pty Ltd*	..	..
Queensland Lottery Corporation Pty Ltd (QLC)	2,703	2,733
Queensland Airport Holdings (Cairns) Pty Ltd***	..	..
Queensland Airport Holdings (Mackay) Pty Ltd***	..	..
Network Infrastructure Company Pty Ltd**	..	..
Brisbane Port Holdings Pty Ltd (BPH)	19,446	19,403
DBCT Holdings Pty Ltd	7,298	7,387

*City North Infrastructure Pty Ltd did not trade during the year and the company is in the process of deregistering.

**Network Infrastructure Company Pty Ltd was registered on 15 June 2010 and has not traded.

***Act as lessors for the Mackay and Cairns airport assets under 99-year finance lease arrangements. As such all airport assets were derecognised and upfront funds received were repatriated to the State Consolidated Fund in 2009.

25 Events occurring after balance date

- The Native Title Compensation Office is transferred to the Department of Resources effective 1 July 2021 under the Public Service Departmental Arrangements Notice (No.2) 2021.
- Divestment of state-owned properties has been granted approval by the Acting Under Treasurer in June 2021 and Coordinator General in July 2021. This includes Treasury's land and building assets in Narangba, Queensland.

There are no other matters or circumstances which have arisen since the end of financial year that have significantly affected Treasury other than those disclosed above and in Note 23.

26 Financial instruments

(a) Accounting policy

Recognition

Financial assets and financial liabilities are recognised in the Statements of Financial Position when Treasury becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

1. Financial assets - held at amortised cost
   - Receivables (notes 14 and 39)
   - Loans and advances (note 39)

2. Financial assets– held at fair value through profit and loss (notes 15 and 40)
   - Licence fee receivable
   - Other financial assets
     - Investment in shares in Aurizon Holdings Ltd (AZJ)
     - Investment in Backing Queensland Business Investment Fund (BQBIF)
     - Investment in Business Development Fund (BDF)
     - Investment in CARP Pharmaceuticals
     - Investment in Financial Provisioning Fund
     - Investment in Queensland Future Fund (QFF)

3. Financial liabilities - held at amortised cost
   - Payables (notes 19 and 41)
   - Interest bearing liabilities – Commonwealth borrowings, QTC borrowings and Advances payable to Government-Owned Corporation (GOCs,) QTH long-term lease loan (notes 21 and 42)

Disclosures on the administered financial instruments are included in note 44.

26 Financial instruments (continued)

(b) Categorisation of financial instruments

		Consolidated	
	Note	**2021**	**2020**
Category		**$'000**	**$'000**
Financial assets			
Cash and cash equivalents	13	325,514	237,594
Receivables	14	207,512	172,582
Other financial assets	15		
Shares – AZJ		..	270,236
QIC investment, BQBIF		147,522	
QIC investments, BDF		65,537	72,284
QIC Investments, FP Fund		46,132	..
QIC investments, CARP Pharmaceuticals		4,000	4,000
Licence fee receivable		52,132	56,940
Total		848,349	813,636
Financial liabilities			
Payables	19	195,625	121,357
Interest bearing liabilities	21	102,898	104,391
Total		298,523	225,748

(c) Financial risk management

The consolidated entity's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to government and Treasury policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of Treasury.

Treasury and its controlled entities manage exposure to these financial risks through advice and consultation with QTC primarily in relation to borrowing activities and advice from QIC on the investments. Risk management parameters are reviewed regularly to reflect changes in market conditions and changes to Treasury and its controlled entities' activities.

(d) Liquidity risk

Liquidity risk refers to the situation where Treasury may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Treasury and its controlled entity manage liquidity risk by ensuring that it has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts to match the expected duration of the various employee and supplier liabilities.

QTH is exposed to liquidity risk through its borrowings with QTC, however this is mitigated by back to back arrangements on debt obligations.

The following table sets out the liquidity risk in relation to financial liabilities held by consolidated entity. It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period.

26 Financial instruments (continued)

(d) Liquidity risk (continued)

Consolidated	Note	2021 payable in < 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	19	195,625	..	..	195,625	195,625
Interest bearing liabilities	21	6,471	25,882	163,110	195,463	102,898
Total		202,096	25,882	163,110	391,088	298,523

Consolidated	Note	2020 payable in < 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	19	121,357	..	..	121,357	121,357
Interest bearing liabilities	21	6,471	25,882	169,580	201,933	104,391
Total		127,828	25,882	169,580	323,290	225,748

(e) Credit risk

QTH is exposed to credit risk primarily through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rated counterparties. Deposits with the QTC Cash fund are capital guaranteed (note 13).

QTH is also exposed to credit risk in relation to the receivable arrangements entered with BPH. BPH has assigned its rights to QTH to receive money payable to it by the Port Manager, PBPL (note 14).

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange, interest rates and equity prices will affect Treasury and its controlled entities income or value of its holdings of financial instruments. The objective is to manage and control market risk exposure within acceptable parameters, while optimising return within desired frameworks.

Interest rate 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.

QTH is exposed to interest rate risk through the QTC Cash Fund which is capital guaranteed. Treasury is exposed to interest rate risk through the cash accounts, FP fund investment in the QIC Cash-Enhanced Fund, finance lease receivable and investments still held in the QIC Fund for BQBIF and CARP Pharmaceuticals, and BDF for investments held between 2–5 years. All other financial assets and financial liabilities have fixed interest rates in nature.

Equities risk

Treasury is exposed to equities risk from the movements in the share prices of the entities through its investments in BQBIF, CARP Pharmaceuticals, FP Fund.

The consolidated entity was exposed to equities risk from movements in the share price of the Aurizon Holdings Ltd (refer to note 7). The QTH board monitors the investment exposure based on market data and consults with the State regarding retention of the holding.

Sensitivity analysis

Interest rates

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date. The following interest rate sensitivity analysis depicts the outcome on comprehensive income and equity if interest rates were to change by +/- 0.25% for 2021 (2020: +/- 0.25%) to reflect current expectations of future interest movement in the next 12 months from year-end rates applicable to Treasury's financial assets and liabilities.

(f) Market risk (continued)

2021 Interest rate risk*

Consolidated Financial instruments	**Carrying amount**	**-0.25%**		**0.25%**	
		Profit	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash	209,364	(523)	(523)	523	523
QIC Investment - BQBIF	38,545	(96)	(96)	96	96
QIC Investment - BDF **	41,142	(103)	(103)	103	103
QIC Investment - FP Fund	46,132	(115)	(115)	115	115
QIC Investment - CARP Pharmaceuticals	1,500	(4)	(4)	4	4
Finance lease receivables	56,073	(140)	(140)	140	140
Potential impact		(982)	(982)	982	982

2020 Interest rate risk*

Consolidated Financial instruments	**Carrying amount**	**-0.25%**		**0.25%**	
		Profit	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash	175,355	(438)	(438)	438	438
QIC Investment - BDF **	18,100	(45)	(45)	45	45
Potential impact		(483)	(483)	483	483

* excludes fixed rate or non-interest bearing assets

** only includes investment held between 2-5 years

Equities

Sensitivity analysis for equity instruments is based on a reasonably possible change in equity prices which is estimated at +/- 10% (2019: +/- 10%).

2021 Equities

Financial instruments	**Carrying amount**	**-10%**		**10%**	
		Profit	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
QIC Investment - BQBIF	108,977	(10,898)	(10,898)	10,898	10,898
QIC Investment - FP Fund	46,132	(4,613)	(4,613)	4,613	4,613
QIC Investment - CARP Pharmaceuticals	2,500	(250)	(250)	250	250
Potential impact		(15,761)	(15,761)	15,761	15,761

2020 Equities

Financial instruments	**Carrying amount**	**-10%**		**10%**	
		Profit	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Other financial assets – Shares – AZJ	270,236	(27,024)	(27,024)	27,024	27,024
Potential impact		(27,024)	(27,024)	27,024	27,024

26 Financial instruments (continued)

(g) Fair value

Fair value hierarchy

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 13 *Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques:

- 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 within level 1) that are observable, either directly or indirectly.
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Classification of instruments into fair value hierarchy levels is reviewed annually, and any transfers are deemed to occur at the end of the reporting period. There were no transfers between Level 1 and Level 2 and no transfers in or out of Level 3 during the year ended 30 June 2021.

Class		Classification according to fair value hierarchy			2021 Carrying amount
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Cash and cash equivalents		210,865	114,649	..	325,514
License fee receivable		..	..	52,132	52,132
QIC Investment - BQBIF			147,522		147,522
QIC Investment - BDF		..	65,537	..	65,537
QIC Investment - CARP Pharmaceuticals		..	4,000	..	4,000
QIC Investment - FP Fund		..	46,132	..	46,132
Total		210,865	377,840	52,132	640,837

Class		Classification according to fair value hierarchy			2020 Carrying amount
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Cash and cash equivalents		143,155	94,439	..	237,594
Other financial assets – shares – AZJ		270,236	..	..	270,236
License fee receivable		..	..	56,940	56,940
QIC Investment - BDF		..	72,284	..	72,284
QIC Investment - CARP Pharmaceuticals		..	4,000	..	4,000
Total		413,391	170,723	56,940	641,054

26 Financial instruments (continued)

(g) Fair value (continued)

The inputs used in the classification of Level 2 instruments at fair value are as follows:

- QTC Cash Fund is measured at net realisable value.
- Investment in BDF is measured based on the net asset value which incorporates cost of the investment adjusted for the interest and latest equity raised (for investments more than 5 years). Fair value decreases incorporate assessment of cash flow projections and going concern for investees.
- Investment in FP Fund is measured based on the fair value of the short-term investments held in the fund such as low risk discount securities, term deposits, short-term floating rate notes.
- Investment in BQBIF is measured based on the net asset value of the fund.

The input used in the classification of Level 3 instruments where fair value is disclosed:

- Licence fee receivable cash flows are discounted at 8.41% per annum (2020: 9.15%) using projections of trade revenue and price growth inflated at CPI.

The lease receivable and associated interest-bearing liabilities (lease loan and novation loan) are back to back leasing arrangements held by DBCTH. Both the other receivable and associated loan fair values are reasonably approximate to the carrying value at balance date due to the offsetting nature of these arrangements.

The carrying amount of financial assets and liabilities measured at amortised cost approximates their fair value at reporting date except for the following financial asset:

	2021		2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$'000	**$'000**	**$'000**	**$'000**
Financial asset				
Loan receivable ^	36,115	41,301	40,670	47,814
Total	36,115	41,301	40,670	47,814

^ QTH only

The fair values have been based on the following:

- Loans receivable are discounted to present value using a discount rate considering the entity specific risks and using valuation techniques.

27 Budget vs actual comparison

This note contains the explanation of major variances between Treasury's actual 2020-21 financial results and the original budget presented to Parliament. There is no disclosure of budget to actual variance explanation for the Statement of Financial Position and Statement of Cash Flows as the Service Delivery Statement (SDS) tabled in Parliament for the 2020-21 financial year does not include a budgeted Statement of Financial Position and Statement of Cash Flows.

Explanation of major variances for Statement of Comprehensive Income

Note 3 - Appropriation revenue

The decrease is mainly due to the revision of the timeframes for a number of projects ($89.501 million) including the Jobs and Regional Growth Fund ($34.501 million), Debt Recovery and Compliance Program ($10.365 million), SPER ICT Program ($9.785 million), Southport Spit ($7.964 million), Native Title Compensation Office ($7.379 million), the Advance Queensland Industry Attraction Fund ($6.072 million), Debt Management Centre ($5.486 million) and emerging whole-of-government priorities ($5.250 million). Also contributing is the transfer of RCIF to the DSDILGP ($10 million). This is partially offset by a reimbursement to QIC for facilitation costs incurred for Project Maroon ($6.064M).

Note 4 - User charges and fees

The increase is mainly due to higher than expected contributions towards the Financial Provisioning Fund of $12.352 million and reimbursement of costs incurred relating to the Queensland Future Fund of $2.154 million.

Grants and Contributions

The decrease reflects the transfer of the Resource Communities Infrastructure Fund to DSDILGP in February 2021.

Note 5 - Interest revenue

The decrease mainly relates to lower interest earned on the Financial Provisioning Scheme's cash balance of $0.912 million. Also contributing is lower notional interest earned from the finance lease receivable of $0.774 million.

27 Budget vs actual comparison (continued)

Note 6 - Dividends received

The increase relates to the Aurizon shares received as in-specie dividend from QTH.

Other revenue

The increase is mainly due to the surety redemption from the Financial Provisioning Scheme of $2.233 million.

Note 7 - Gain/(loss) on transfer of assets/fair value movement of investments

This primarily relates to the transfer of shares of $205.973 million to the Debt Retirement Fund. Also contributing is the impact of fair value decrease of $20.950 million associated with the BQBIF.

Note 8 - Employee Expenses

The decrease is due to strategies in place to manage the department's full-time equivalents. Also contributing is the utilisation of agency temps to back fill vacant positions mainly in the Office of State Revenue.

Note 9 - Supplies and Services

The decrease is mainly due to the revision of the timeframes and changes in the operating model for a number of projects ($37.768 million) including the SPER ICT Program ($9.785 million), Debt Recovery and Compliance Program ($7.498 million), Native Title Compensation Office ($5.505 million), Debt Management Centre ($5.533 million) and HomeBuilder Grant administration ($2.950 million). Also contributing is a reduction in utilising of contractors and consultants for operational activities ($3.581 million) and lower SPER call centre expenditure ($2.524 million). This is partially offset by a reimbursement to QIC for facilitation costs incurred for Project Maroon ($6.064 million).

Note 10 - Grants and Subsidies

The decrease is primarily due to the transfer of the Resource Communities Infrastructure Fund to DSDILGP ($33.265 million). Also contributing are lower than anticipated grant payments from the Jobs and Regional Growth Fund ($34.501 million), the Financial Provisioning Scheme ($7.000 million), the Advance Queensland Industry Attraction Fund ($6.072 million), Southport Spit ($6.360 million) and emerging whole-of-government priorities ($5.250 million).

Interest expense

The decrease reflects the amortised cost adjustment relating to the finance lease receivable.

Note 11 - Other expenses

The increase relates to the goods and services below fair value of $0.416 million for the state archives and corporate support.

	Notes	2021 Actual $'000	2021 Original budget $'000	2021 Budget variance* $'000	2020 Actual $'000
Income and expenses administered on behalf of the whole-of-government					
Income from operations					
Revenue					
Grants and other contributions	28	22,771,866	18,700,712	4,071,154	17,833,696
Taxes	29	13,075,153	11,230,946	1,844,207	11,548,671
Royalties	30	2,486,701	2,443,069	43,632	4,493,630
Appropriation revenue	31	6,652,311	6,940,575	(288,264)	6,512,602
Interest revenue		33,489	61,655	(28,166)	23,495
User charges and fees		43,088	49,352	(6,264)	44,049
Other revenue	32	539,591	510,923	28,668	502,665
Total revenue		45,602,199	39,937,232	5,664,967	40,958,808
Gain on transfer/fair value movement of other financial assets	40	6,217,456	22,270	6,195,186	..
Total income from operations		51,819,655	39,959,502	11,860,153	40,958,808
Expenses from operations					
Supplies and services	33	132,769	132,921	(152)	138,340
Losses on receivables	34	11,549	57,844	(46,295)	50,677
Finance/borrowing costs	35	1,332,989	1,360,655	(27,666)	1,200,380
Grants and subsidies	36	904,224	672,923	231,301	619,350
Other expenses	37	4,226,510	4,774,076	(547,566)	4,523,995
Total expenses from operations		6,608,041	6,998,419	(390,378)	6,532,742
Operating result before transfers to government		45,211,614	32,961,083	12,250,531	34,426,066
Transfers of administered revenue to government		38,967,896	32,928,583	6,039,313	34,426,066
Total administered comprehensive income		6,243,718	32,500	6,211,218	..

* An explanation of major variances is included at Note 45.

The accompanying notes form part of these statements.

	Notes	2021 Actual $'000	2020 Actual $'000
Assets and liabilities administered on behalf of the whole-of-government			
Current assets			
Cash assets	38	(1,459,583)	772,659
Receivables	39	2,969,482	1,729,271
Other current assets		11,000	9,642
Total current assets		1,520,899	2,511,572
Non-current assets			
Receivables	39	39,597	53,391
Other financial assets	40	7,742,219	..
Total non-current assets		7,781,816	53,391
Total administered assets		9,302,715	2,564,963
Current liabilities			
Payables	41	4,441	1,321,121
Transfer to government payable **		4,239,058	1,346,225
Interest bearing liabilities	42	1,148,959	1,505,782
Other liabilities		71,958	51,494
Total current liabilities		5,464,416	4,224,622
Non-current liabilities			
Interest bearing liabilities	42	45,665,208	37,063,615
Total non-current liabilities		45,665,208	37,063,615
Total administered liabilities		51,129,624	41,288,237
Administered net assets		(41,826,909)	(38,723,274)

The accompanying notes form part of these statements.

**** Accounting policy – Transfers to Government Payable**

In accordance with the *Financial Accountability Act 2009*, all administered revenue apart from the earnings from Special Purpose Accounts, is to be transferred to the Treasurer's Consolidated Fund (CF) operating account during the year. Revenue earned but not yet transferred to CF operating account are recorded as a payable at year end. Administered revenue received is transferred to CF during the year and can be found in the Statement of Comprehensive Income. The accounts are prepared on an accrual basis of accounting as outlined in note 1(b).

	Notes	2021 $'000	2020 $'000
Cash flows administered on behalf of the whole-of-government			
Cash flows from operating activities			
Inflows			
Administered item receipts		6,418,229	6,642,230
Grants and other contributions		20,983,866	18,844,837
Taxes		12,651,145	10,884,236
Royalties		2,493,188	4,476,703
Interest		30,302	19,776
GST input tax credits from ATO		6,066	5,517
GST collected from customers		21,821	20,398
Other		505,779	473,235
Outflows			
Transfers to government		(36,075,063)	(34,044,466)
Grants and subsidies		(904,224)	(572,213)
Finance/borrowing costs		(1,303,228)	(1,170,363)
Supplies and services		(161,494)	(138,429)
GST remitted to ATO		(21,825)	(20,391)
GST paid to suppliers		(6,051)	(5,659)
Other		(4,228,134)	(4,525,077)
Net cash provided by operating activities		410,377	890,334
Cash flows from investing activities			
Inflows			
Loans and advances received		19,131	18,787
Outflows			
Payments for investment in QFF DRF		(1,526,263)	..
Loans and advances made		(2,738)	(11,562)
Net cash provided by/(used in) investing activities		(1,509,870)	7,225
Cash flows from financing activities			
Inflows			
Equity injections		1,500,000	4,500
Advances received from GOCs		1,613,804	2,592,039
Borrowings		10,850,801	3,552,626
Transfer from redraw		..	4,445,000
Outflows			
Borrowing redemptions		(13,419)	(13,221)
Transfer to redraw		(2,260,000)	..
Advance redemptions to GOCs		(1,978,081)	(3,396,868)
Equity withdrawals		(10,845,854)	(3,554,500)
Net cash provided by/(used in) financing activities		(1,132,749)	3,629,575
Net increase/(decrease) in cash and cash equivalents		(2,232,242)	4,527,134
Administered cash and cash equivalents at beginning of financial year		772,659	(3,754,475)
Administered cash and cash equivalents at end of financial year	38	(1,459,583)	772,659

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Administered comprehensive income	6,243,718	..
Gain on transfer and fair value movements in investments	(6,217,456)	..
Non-cash finance cost adjustments	11,857	119
Interest expense on QTC loans	17,742	27,691
Non-cash adjustment on equity	..	(6,512)
Change in assets and liabilities:		
(Increase)/decrease in receivables	(1,240,742)	(720,986)
(Increase)/decrease in other current assets	(1,358)	(833)
Increase/(decrease) in payables	(1,316,680)	1,188,811
Increase/(decrease) in transfers to government payable	2,892,833	386,123
Increase/(decrease) in other liabilities	20,463	15,921
Net cash provided by operating activities	410,377	890,334

		Non-cash changes			Cash flows		
		Opening balance 2020	Transfers to/(from) other Queensland Government entities	New leases acquired	Interest & admin fees	Cash received	Cash repayments	Closing balance 2021
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities administered on behalf of the whole-of-government								
Current liabilities								
Interest bearing liabilities	42	1,505,782	..	..	20,873	1,613,804	(1,991,500)	1,148,959
Non-current liabilities								
Interest bearing liabilities	42	37,063,615	..	..	10,792	10,850,801	(2,260,000)	45,665,208
Total administered liabilities		38,569,397	..	..	31,665	12,464,605	(4,251,500)	46,814,167

Administered Reconciliation of Changes in Liabilities Arising from Financing Activities
for the year ended 30 June 2020

			Non-cash changes			Cash flows		
		Opening balance 2019	Transfers to/(from) other Queensland Government entities	New leases acquired	Interest & admin fees	Cash received	Cash repayments	Closing balance 2020
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities administered on behalf of the whole-of-government								
Current liabilities								
Interest bearing liabilities	42	2,281,142	..	..	42,691	2,592,039	(3,410,090)	1,505,782
Non-current liabilities								
Interest bearing liabilities	42	29,082,160	..	..	(16,170)	7,997,624	..	37,063,615
Total administered liabilities		31,363,302	..	..	26,521	10,589,663	(3,410,090)	38,569,397

	Economic and Fiscal Coordination		Revenue Management		Other *		Inter-service/activity eliminations		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Income from operations										
Revenue										
Grants and other contributions	22,771,866	17,833,696	..	..	..	..	..	..	22,771,866	17,833,696
Taxes	..	1,713	13,120,546	11,574,602	..	..	(45,393)	(27,644)	13,075,153	11,548,671
Royalties	..	..	2,486,701	4,493,630	..	..	..	..	2,486,701	4,493,630
Appropriation revenue	532,874	143,198	558,860	598,999	5,560,577	5,770,405	..	..	6,652,311	6,512,602
Interest revenue	26,263	..	745	10,683	9,566	18,658	(3,085)	(5,846)	33,489	23,495
User charges and fees	1,083	..	42,020	43,079	..	970	(15)	..	43,088	44,049
Other revenue	295,895	276,647	233,499	212,989	10,197	13,029	..	..	539,591	502,665
Total revenue	23,627,981	18,255,254	16,442,371	16,933,982	5,580,340	5,803,062	(48,493)	(33,490)	45,602,199	40,958,808
Gain on transfer/fair value movement of other financial assets	6,217,456	..	..	..	..	..	..	..	6,217,456	..
Total income from operations	29,845,437	18,255,254	16,442,371	16,933,982	5,580,340	5,803,062	(48,493)	(33,490)	51,819,655	40,958,808
Expenses from operations										
Supplies and services	125,557	129,920	7,026	6,500	186	1,920	..	..	132,769	138,340
Losses on receivables	..	..	11,549	50,677	..	..	..	..	11,549	50,677
Finance/borrowing costs	..	..	43	136	1,336,031	1,206,090	(3,085)	(5,846)	1,332,989	1,200,380
Grants and subsidies	400,176	9,361	504,048	562,853	..	47,136	..	..	904,224	619,350
Other expenses	7,140	3,917	47,745	29,510	4,217,033	4,518,212	(45,408)	(27,644)	4,226,510	4,523,995
Total expenses from operations	532,873	143,198	570,411	649,676	5,553,250	5,773,358	(48,493)	(33,490)	6,608,041	6,532,742
Operating result before transfers to government	29,312,564	18,112,056	15,871,960	16,284,306	27,090	29,704	..	..	45,211,614	34,426,066
Transfers of administered revenue to government	23,068,846	18,112,056	15,871,960	16,284,306	27,090	29,704	..	..	38,967,896	34,426,066
Total administered comprehensive income	6,243,718	..	..	..	..	..	..	..	6,243,718	..

* Includes superannuation, whole-of-government offset account, central schemes (insurance, annual leave and long service leave), and other administered items.

Queensland Treasury
Administered Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2020

	Economic and Fiscal Coordination		Revenue Management		Other **		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Assets and liabilities administered on behalf of the whole-of-government *								
Current assets								
Cash assets	1,185,229	669,421	(47,192)	80,169	(2,597,620)	23,069	(1,459,583)	772,659
Receivables	734,432	68,940	2,341,945	1,637,479	(106,895)	22,852	2,969,482	1,729,271
Other current assets	144	154	..	..	10,856	9,488	11,000	9,642
Total current assets	1,919,805	738,515	2,294,753	1,717,648	(2,693,659)	55,409	1,520,899	2,511,572
Non-current assets								
Receivables	..	..	..	..	39,597	53,391	39,597	53,391
Other financial assets	7,742,219	..	..	..	..	..	7,742,219	..
Total non-current assets	7,742,219	..	..	..	39,597	53,391	7,781,816	53,391
Total administered assets	9,662,024	738,515	2,294,753	1,717,648	(2,654,062)	108,800	9,302,715	2,564,963
Current liabilities								
Payables	..	1,131,592	3,887	20,780	554	168,749	4,441	1,321,121
Transfer to government payable	2,028,801	(284,079)	2,218,465	1,644,929	(8,208)	(14,625)	4,239,058	1,346,225
Interest bearing liabilities	..	..	..	..	1,148,959	1,505,782	1,148,959	1,505,782
Other liabilities	..	..	71,958	51,494	..	..	71,958	51,494
Total current liabilities	2,028,801	847,513	2,294,310	1,717,203	1,141,305	1,659,906	5,464,416	4,224,622
Non-current liabilities								
Interest bearing liabilities	..	..	..	..	45,665,208	37,063,615	45,665,208	37,063,615
Total non-current liabilities	..	..	..	..	45,665,208	37,063,615	45,665,208	37,063,615
Total administered liabilities	2,028,801	847,513	2,294,310	1,717,203	46,806,513	38,723,521	51,129,624	41,288,237
Administered net assets	7,633,223	(108,998)	443	445	(49,460,575)	(38,614,721)	(41,826,909)	(38,723,274)

* The department has systems in place to allocate assets and liabilities by major departmental services.
** Includes superannuation, whole-of-government offset account and central schemes (insurance, annual leave and long service leave), and other administered items.

28 Grants and other contributions

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
GST revenue grant	15,419,401	12,761,097
National Partnership Payments - capital project	3,150,119	1,731,979
National Partnership Payments - recurrent project	482,388	296,300
Specific purpose - recurrent	..	..
- Schools	1,982,174	1,798,411
- Disability services	692,991	547,596
- Skills and workforce development	385,804	309,289
- Affordable housing	328,010	321,030
Other	330,979	67,994
	22,771,866	17,833,696

Accounting policy – Grants and other contributions

Grants are recognised based on the applicable revenue standard. Grants that do not meet the enforceable and sufficiently specific performance obligations under AASB 15 *Revenue from Contracts with Customers* will be recognised under AASB 1058 *Income of Not-for-Profit entities*. Grants recognised under AASB 1058 are recognised upfront or when the corresponding asset (e.g. cash or receivable) has been recognised and received. Where the grant agreement is enforceable and does contain sufficiently specific performance obligations that will result in Treasury providing goods or services to other parties are recognised under AASB 15 and may qualify for deferral depending on when the specific performance obligations have been satisfied.

Commonwealth Grants revenue are recognised immediately when received under AASB 1058. These are remitted to CF.

Donations, gifts and other contributions are recognised as revenue in the year which Treasury obtains control over them (control is generally obtained at the time of receipt).

Grants received by Treasury on-passed to other departments are not recognised as revenue as Treasury's responsibility is solely to pass the grants to other entities (refer to note 47). Specific purpose grants received by Treasury relating to Quality Schools Funding are on-passed to the Department of Education. Specific purpose grants received by Treasury relating to pest and disease preparedness and response programs are on-passed to the Department of Agriculture and Fisheries. All other grants are transferred to CF.

29 Taxes

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Taxes		
Duties	5,741,937	4,624,138
Payroll Tax	4,214,271	4,253,926
Land Tax	1,531,441	1,411,059
Gaming Machine Tax	820,793	616,900
Lottery Tax	359,499	332,079
Betting Tax	156,636	116,671
Casino Tax	106,868	96,576
Keno Tax	21,528	17,107
Wagering Tax	..	1,798
Other taxes	1,115	1,283
	12,954,088	11,471,537
Levies		
Health services levy	121,065	77,134
	121,065	77,134
	13,075,153	11,548,671

Accounting policy – Taxes

The main revenue streams and the governing Acts which underpin them include:

- *Duties Act 2001*
- *Payroll Tax Act 1971*
- *Land Tax Act 2010*
- *Taxation Administration Act 2001*
- *Local Government Act 2009 (National Tax Equivalents Regime (NTER))*
- *Betting Tax Act 2018*
- *Gaming Machine Act 1991, Casino Control Act 1982, Keno Act 1996, Lotteries Act 1997, and Wagering Act 1998 (administered by The Office of Liquor and Gaming Regulation (OLGR))*

Revenue is recognised under AASB 1058 *Income of Not-for-Profit entities* when one or more of the following taxable events occur:

- the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably
- the assessment is raised by the self-assessor (a person who lodges transactions online), predominantly for Payroll Tax and Duties. Additional revenue is recognised upon amended assessment
- the assessment is issued because of Commissioner-assessed transactions or following compliance activities such as reviews and audits, predominantly for Land and Gaming Taxes
- tax penalty and interest revenue are recognised when raised, when an assessment becomes overdue or further enforcement activity commences.

The impact of the COVID-19 response measures to tax revenue foregone has been detailed in note 2 (c).

30 Royalties

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Mining royalties	2,486,701	4,493,630
	2,486,701	4,493,630

Accounting policy – Royalties

The governing Acts which underpin royalties include:

- *Mineral Resources Act 1989, Petroleum and Gas (Production and Safety Act) 2004*
- *Taxation Administration Act 2001.*

Revenue is recognised when one or more of the following events are satisfied:

- the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably. The underlying transaction or event is usually when
  - the mineral is sold, disposed of or used in a return period.
  - petroleum is disposed of or the return in which the petroleum is produced
- the assessment is raised by the self-assessor (a person who lodges transactions online). Additional revenue is recognised upon amended assessment
- the assessment is issued because of Commissioner-assessed transactions or following compliance activities such as reviews and audits
- tax penalty and interest revenue are recognised when raised, when an assessment becomes overdue or further enforcement activity commences.

31 Appropriation revenue

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Budgeted administered item appropriation and equity	8,156,408	9,604,083
Transfer (to)/from other departments	..	(548,000)
Transfer (to)/from other heading	(160,625)	..
Treasurer's Advance	..	(1,993,980)
Lapsed appropriation	(77,554)	(419,873)
Unforeseen expenditure	..	..
Total administered item receipts including equity	7,918,229	6,642,230
Plus closing balance of administered appropriation revenue receivable	89,127	..
Plus opening balance of administered deferred appropriation payable to the Consolidated Fund	143,002	14,543
Plus non cash adjustment between departments	784	
Less closing balance of administered deferred appropriation payable to the Consolidated Fund	..	(143,002)
Plus opening balance of administered appropriation payable to Commonwealth Government	1,169	..
Less closing balance of administered appropriation payable to Commonwealth Government	..	(1,169)
Net appropriation revenue	8,152,311	6,512,602
Plus deferred appropriation expense payable to Consolidated Fund	..	..
Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity	8,152,311	6,512,602
This is represented by:		
Administered item revenue recognised in Statement of Comprehensive Income	6,652,311	6,512,602
Appropriated equity adjustment recognised in equity injection/(withdrawal)	1,500,000	..
Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity	8,152,311	6,512,602

Additional appropriation revenue received to fund COVID-19 response measures has been detailed in note 2 (c).

32 Other revenue

Administered on behalf of the whole-of-government	2021 $'000	2020 $'000
Competitive neutrality fees	291,509	271,706
SPER fines	230,311	209,787
Miscellaneous receipts	17,771	21,172
	539,591	502,665

Accounting policy – Other revenue and user charges and fees

The State Penalties Enforcement Act 1999 largely covers administrative arrangements for the enforcement and recovery of court ordered fines, related levies and unpaid infringement notices. SPER fines are recognised upfront equivalent to the amount of the asset (cash or receivables) under AASB 1058 *Income of Not-for-Profit entities*. Revenue is recognised when the unpaid penalty, fine or levy (such as court, traffic offences and tolling fines) has been transferred and registered with SPER. Additional income from enforcement fees on overdue fines is recognised when they are subject to further enforcement action.

SPER fees reported under administered user charges and fees are recognised as revenue when the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably under AASB 1058. This occurs on registration of the default certificate where the amount unpaid is increased by the amount of the registration fee.

Competitive neutrality fees are a requirement for government business activities to pay taxes (or tax equivalents) to remove benefits (and costs) as a result of their public ownership which accrue to government business activities when competing with the private sector. This fee also includes QIC investment management fees payable by QTC and statutory bodies that have significant funds under management with QIC.

33 Supplies and services

Administered on behalf of the whole-of-government	2021 $'000	2020 $'000
GST administration expense remitted to the Commonwealth	125,557	129,920
Administration fees	917	2,379
Other	6,295	6,041
	132,769	138,340

34 Losses on receivables

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Impairment loss / (loss reversals) – Taxation	(5,973)	28,168
Impairment loss reversals - SPER	(25,619)	(3,382)
Bad debts written off *	43,141	25,891
	11,549	50,677

* Debt Write Off Policy (May 2020), enables the SPER Registrar to write off bad debts in all circumstances in which it is unlikely the debts could be recovered cost effectively. Bad debts written off for SPER amounts to $22.152 million for 2020-21 (2020:$9.555 million).

The total bad debts written-off includes bad debts written off directly, not through provision for impairment, $1.77 million (2020:$3.21 million)(note 39).

Credit risk exposure has been assessed for taxes and fines receivables for the impact of COVID-19. At reporting date, the impairment losses and losses reversals recognised includes the impact of COVID-19 which is reflected in the forward-looking rate applied in the estimate of credit loss. Impairment loss reversals occurred during the year due to improved economic conditions compared to last year. The full impact of COVID-19 will emerge in the next 6 to 12 months, when additional information is obtained on the viability of the State Revenue clients (note 39).

35 Finance/borrowing costs

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Interest on loans – QTC	1,272,790	1,135,194
Administration fees	31,143	22,268
Interest - other	14,285	37,989
Market value realisation on QTC borrowings	13,058	..
Unwind concessional loan discount - Commonwealth borrowings	1,105	839
Interest on loans – Commonwealth Government	224	496
Concessional loan discount - NDRRA loans *	384	3,421
Interest paid by Treasury offset bank account	..	173
	1,332,989	1,200,380

* represents the discount on initial recognition of NDRRA loans.

Accounting policy – Finance/borrowing costs

Finance/borrowing costs are recognised in the period in which they are incurred. This includes amortisation of discounts or premiums relating to borrowings. These costs are incurred on the Treasury Offset Account (note 38 Whole-of-government TOA arrangements) and whole-of-government borrowings, GOC's Advance and Commonwealth borrowings (note 42).

36 Grants and subsidies

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Grants to statutory bodies*	383,357	56,497
Commonwealth Home Builder Grants	262,985	-
First Home Owners Grants (FHOG)**	183,047	95,636
Subsidies to private entities (COVID-19)***	56,713	464,476
Other	18,122	2,741
	904,224	619,350

* This includes payments of $367.7 million to Queensland Reconstruction Authority (QRA) .

** This includes payments for the Regional Home Building Boost Grant as part of the COVID-19 relief measures.

***Subsidies to Private entities relates to rebates and refunds given to taxpayers in relation to COVID-19 relief measures (note 2 (c)). Payroll tax refunds amounts to $37.9 million (2020: $393.316 million) and Land tax rebate amounts to $18.8 million (2020: $71.160 million).

37 Other expenses

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Superannuation benefit payments	1,732,347	1,746,946
Annual leave central scheme claims paid	1,852,278	1,955,604
Long service leave reimbursements	380,642	476,437
Queensland Government Insurance Fund claims	208,345	311,038
Reinsurance expense	31,201	27,668
Ex-gratia payments *	9,333	5,460
Sundry	12,360	842
	4,226,510	4,523,995

* A portion of dividends and tax equivalent payments received by the State under the National Tax Equivalents Regime are paid to local governments via ex gratia payments from Treasury administered. Ex-gratia payments include Gaming machine tax refund of $1.431 million as part of COVID-19 measures for 2019-20.

Accounting policy – Other expenses

Annual Leave Central Scheme claims paid and Long Service Leave reimbursements

Annual leave and long service leave claims paid represent quarterly reimbursements to agencies from the Annual Leave and Long Service Leave Central Schemes administered by QSuper. These are recognised as expenses in the period when they are reimbursed. The scheme is funded by annual leave and long service leave levies paid by agencies and reimbursements are sought from the scheme for actual leave payments made to employees and associated on-costs, quarterly in arrears (note 8).

Superannuation benefit payments

Superannuation benefit payments are recognised in the period when they are paid to QSuper. These represent proportional funding for superannuation defined benefit payments for retirement benefit liabilities held by the State for the State Public Sector Superannuation Scheme, pensions provided in accordance with the *Judges' (Pensions and Long Leave) Act 1957* (Judges' Scheme) and the Energy Super Fund (ESF).

38 Cash assets

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Whole-of-government Treasury Offset Arrangement *	(2,843,882)	(233,587)
Other administered bank accounts	1,384,299	1,006,246
	(1,459,583)	772,659

* The whole-of-government Treasury Offset Arrangement incorporates the Treasury offset bank account which is an overdraft facility as required under section 49(1) of the *Financial Accountability Act 2009* and a QTC Working Capital Facility. This overdraft facility is part of an offset arrangement with other departmental bank accounts and is considered in determining the interest earned on the whole-of-government position. Cash at bank is an aggregate of Treasury administered bank accounts including the Treasury offset bank account.

In addition, Treasury has established another offset arrangement with the Commonwealth Bank of Australia to maximise interest earned on surplus cash balances held by departmental bank accounts that do not fall within the whole-of-government offset arrangement.

The QTC GOC Advances Fund is utilised to transfer Government-Owned Corporations' surplus funds to the Treasury offset arrangement (note 42).

The QTC Working Capital Facility is used for short term borrowings. The fair value of the borrowings in the QTC Working Capital Facility at 30 June 2021 is represented by its book value (as notified by QTC). Interest is calculated daily based on the Reserve Bank's official cash rate. Interest is charged at rates between 0.65% and 0.10% (2020: between 1.93% to 0.25%) along with an administration margin of 0.05% (2020: 0.05%).

39 Receivables

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Current		
Debtors*	2,483,958	2,031,736
Less: allowance for impairment*	(362,559)	(394,151)
	2,121,399	1,637,585
Grants receivable***	664,859	..
Appropriation revenue receivable	89,127	..
Competitive neutrality fees	73,031	68,372
Other advances	18,598	19,129
Sundry receivable **	1,964	3,768
GST input tax credits receivable	504	417
	848,083	91,686
	2,969,482	1,729,271
Non-current		
Other advances	39,597	53,391
	39,597	53,391
	3,009,079	1,782,662

* The debtors balance includes receivables of $1.081 billion (2020:$1.053 billion) for SPER fines. As at 30 June 2021, a loss allowance of $296.1 million is recognised for the fines receivable (2020: $321.7 million) representing 27% of the total amount receivable (2020: 30%).
The receivables other than debtors do not have any loss allowance as they are inter-agency receivables between Treasury, other departments and GOCs.
**2019-20 amount includes receivable from DRDM relating to cash at restructure from the MoG effective 1 June 2020. There was no actual cash transfer as at 30 June 2020 (note 2 (d)).
*** Grants receivable includes the adjustment to recognise an upward revision to the estimate of the total GST collected by the Commonwealth during 2020-21.

	2021 $'000	2020 $'000
Movements in allowance for impairment of receivables		
Opening balance	394,151	369,364
Amounts written off during the year	(41,374)	(22,682)
Increase/(decrease) recognised in Statement of Comprehensive Income **	9,782	47,469
Balance at 30 June	362,559	394,151

** Does not include amounts written off directly to bad debts expense, $1.77 million (2020:$3.21 million), (refer note 34).

Accounting policy - Receivables

Administered debtors for taxes, royalties and SPER fines are recognised in line with revenue criteria, explained in notes 29–30 and note 32.

Other advances relating to Natural Disaster Relief and Recovery Arrangement (NDRRA) loans are recognised when the State provides upfront funding to the Queensland Rural and Industry Development Authority (QRIDA) for disaster recovery relief. At an undetermined time in the future the Commonwealth will provide a sum of funding, classified as a concessional loan to the State. When this occurs a corresponding Commonwealth borrowing is recognised (refer note 42). Principal repayments on advances made to QRIDA become payable within 2 years and interest repayments payable within 1 year after the Commonwealth contribution is received.

39 Receivables (continued)

Allowance for impairment

The allowance for impairment reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information, including forecast economic changes expected to impact the Treasury's debtors, along with relevant industry and statistical data where applicable.

A number of debt collection measures are undertaken including the exercising of legislative powers contained within the *Taxation Administration Act 2001* and the *State Penalties Enforcement Act 1999*, prior to impairing debt.

If no expected loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If Treasury determines that an amount owing by such a debtor does become uncollectable, the amount is impaired, then subsequently recognised as a bad debt expense and written off directly against receivables. In other cases where a debt becomes uncollectable, but the uncollectable amount exceeds the amount already allowed for impairment of that debt, the excess is recognised as a bad debt expense and written off directly against receivables.

There is no impairment loss allowance recognised for Treasury's receivables from Queensland Government agencies or Australian Government agencies on the basis of materiality. Credit risk for these receivables are considered low.

Credit risk exposure of receivables

Treasury manages credit risk using a credit management strategy. This strategy focuses on the prompt collection of revenues due and payable to Treasury and follow up of outstanding fees and charges within specified timeframes. Exposure to credit risk is monitored on an ongoing basis.

Risk assessments are performed upon non-payment of debt and maintained in the State Revenue Risk Register with assigned risk ratings. Under this risk-based revenue management framework compliance plans are developed with reference to the debt management strategies.

Expected credit losses for taxes and royalties' receivables is calculated based on debt type using an expected credit loss percentage by age or individually assessed. For those debts where an expected credit loss percentage is used to calculate impairment, the historical credit loss experienced over a four-year period is adjusted by current conditions and forward-looking information on macro-economic factors affecting collectability of debts. The customer groups within State Revenue (SR) were determined by debt type and whether it consisted of high or low volume transactions. The provision matrix methodology was applied for high volume transactions and the low volume transactions were individually assessed. Treasury has identified employment growth, housing upturn/downturn, interest rates movement and population growth to be the relevant economic factors affecting taxes. The expected credit loss percentage is the average rate across the debts. Individually assessed debts are reviewed and a percentage loss is applied to each based on collectability.

Credit risk exposure has been assessed for taxes and fines receivables for the impact of COVID-19. At reporting date, the expected credit loss includes the impact of COVID-19 which is reflected in the forward-looking rate applied in the estimate of credit loss. Impairment loss reversals occurred during the year due to improved economic conditions compared to last year. The full impact of COVID-19 will emerge in the next 6 to 12 months, when additional information is obtained on the viability of State Revenue's clients. A portion of receivables as at 30 June 2021 from Payroll Tax of $667.080 million have been deferred for collection until January 2022 as part of the COVID-19 relief measures (note 2 (c)).These receivables were categorised in the "Not yet due" and a 1.2% loss rate has been applied.

Set out below is the credit risk exposure on Treasury's administered receivables. The total gross receivables exclude receivables of $469 million (2020: $311 million) that do not have any loss allowance.

SR debtors - assessed collectively using a provision matrix	**2021**			**2020**		
Administered on behalf of the whole-of-government	**Gross receivable**	**Loss rate**	**Expected credit losses**	**Gross receivable**	**Loss rate**	**Expected credit losses**
	$'000	**%**	**$'000**	**$'000**	**%**	**$'000**
Not yet due	790,221	1.2	9,167	510,219	2.6	13,025
Less than 30 days	13,383	5.1	684	11,968	5.3	632
30 to 60 days	8,607	24.6	2,115	14,913	15.4	2,292
61 to 90 days	10,741	29.4	3,156	21,696	20.3	4,404
Greater than 90 days	98,913	41.0	40,589	95,070	41.2	39,165
Total	921,865		55,711	653,866		59,518

39 Receivables (continued)

SR debtors - assessed individually	**2021**			**2020**		
Administered on behalf of the whole-of-government	**Gross receivables $'000**	**Allowance for impairment $'000**	**Carrying amount $'000**	**Gross receivables $'000**	**Allowance for impairment $'000**	**Carrying amount $'000**
Not yet due	26	(26)	..	..	..	..
Less than 30 days	24	(24)	..	22	(22)	..
30 to 60 days	2,341	(2,341)	..	10	(10)	..
61 to 90 days	19	(19)	..	19	(19)	..
Greater than 90 days	8,338	(8,338)	..	12,863	(12,863)	..
Total	10,748	(10,748)	..	12,914	(12,914)	..

SPER debts are impaired on consideration of the best estimate of expected future credit losses and the likelihood of collectability with reference to historical activity for the specific debt types being assessed. Historical activity of the specific debt is determined based on a debt resolution rate. Debt resolution rate is the average rate of debt resolved through payment, non-monetary satisfaction, recalled or withdrawn by issuing agencies, or written off as unrecoverable. Management judgement is required in assessing the debt resolution rates.

SPER debtors - assessed collectively using a provision matrix	**2021**			**2020**		
Administered on behalf of the whole-of-government	**Gross receivable $'000**	**Loss rate %**	**Expected credit losses $'000**	**Gross receivable $'000**	**Loss rate %**	**Expected credit losses $'000**
Greater than 90 days*	1,081,690	27.4	296,068	1,053,369	30.5	321,715
Total	1,081,690	..	296,068	1,053,369		321,715

* Majority of SPER debts are over 90 days when they are referred to the debt registry from the referring agencies.

40 Other financial assets

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Queensland Future Fund - Debt Retirement Fund (DRF) - FRN with QTC	7,742,219	..
Reconciliation of movements in the DRF		..
Opening balance	..	..
Add: Contributions - new investments	7,695,724	..
Less: Investment drawdown	..	..
Add: Interest Income reinvested	26,263	..
Add: Gain/(loss) on fair value movement of investments	20,232	..
Closing balance	7,742,219	..

Accounting policy – Other financial assets

Other Financial Assets represent the Queensland Future Fund (QFF) - Debt Retirement Fund Fixed Rate Note with Queensland Treasury Corporation (QTC). The Debt Retirement Fund was established under section 9 of the *Queensland Future Fund Act 2020 (the QFF Act)* as a sub-fund of the Queensland Future Fund for the purpose of providing funding for reducing the State's debt. Funds invested in the DRF are held for future growth and are offset against state debt to support Queensland's credit rating.

Contributions to the DRF include investments directed by the Treasurer to be contributed to the fund and amounts that must be contributed to the fund under another Act. In accordance with the *QFF Act*, payments from the DRF may only be made to reduce the State's debt or pay fees or expenses relating to the administration of the fund.

On 28 April 2021, Queensland Treasury entered into a DRF Fixed Rate Note (FRN) agreement with QTC. Under the agreement, it is intended that assets will be contributed by the State to meet the purpose of the DRF from time to time. The DRF will transfer these contributed assets to QTC and in consideration, QTC will issue the DRF FRN to Queensland Treasury. QTC will invest the contributed assets in the DRF portfolio, which is held in a unit trust arrangement managed by QIC Limited and overseen by the State Investment Advisory Board (SIAB).

The FRN is recognised at FVTPL under AASB 9 *Financial Instruments*. Under the terms of the DRF FRN agreement, interest is calculated on a daily basis on the book value of the DRF FRN with interest capitalised monthly. The interest rate on the DRF FRN is an effective rate of 6.5% per annum. The DRF FRN is valued at the fair value of the DRF asset portfolio. The fair value methodology applied to the FRN is classified as Level 3 in the fair value hierarchy as it is based on the fair value of the corresponding assets in the DRF portfolio, which utilises significant unobservable inputs.

The fair value of the FRN is payable by QTC to Treasury on the termination date and upon payment, the DRF FRN will be cancelled. Treasury may from time to time request a payment of some part of the DRF FRN. In this event, QTC will dispose part of its interest in the DRF portfolio to fund the repayment.

Under section 10 of the *QFF Act,* the Treasurer may direct that specific state assets be contributed to the DRF. The following contributions were made to the DRF in the 2020-21 financial year:

- In March 2021, Queensland Titles Registry Pty Ltd (Titles Registry) was established with shares in the company held by the Under Treasurer on behalf of the State. The Treasurer provided a direction for 75% of the shares in Titles Registry to be contributed to the DRF. The remaining 25% of shares in the company were held by CF to fund other Government priorities.

  On 18 June 2021, title registry operations previously performed by the Department of Resources were transferred to Titles Registry in accordance with the *Queensland Future Fund (Titles Registry) Act 2021*. A net liability of $1.5 million was transferred to Titles Registry by the Department of Resources. On the same day, the DRF transferred its 75% of shares in Titles Registry to QTC. QTC subsequently transferred the holdings in Titles Registry into the DRF asset portfolio invested with QIC and in consideration increased the value of the DRF FRN held by Treasury.

Note 40 Other financial assets (continued)

The increase in the DRF FRN recognised by Treasury represents the fair value of the 75% shares in Titles Registry. Treasury recorded the shares at cost prior to transfer, this has resulted in a gain on transfer of $5.991 billion being recognised in the Administered Statement of Comprehensive Income.

- $1.5 billion from the surplus assets held to support the Defined Benefit Scheme. Treasury received administered equity appropriation to purchase surplus superannuation assets from CF and transfer them to QTC. In exchange for the transferred assets, QTC increased the value of DRF FRN.
- Aurizon shares ($206 million) – As identified in Note 6, the shares were provided as an in-specie dividend by QTH to Treasury (with the Under Treasurer as the holder of "A" shares). The shares were received through the Controlled books as a "Dividends received" and transferred to QTC as part of the portfolio. A loss of $205.273 million was recognised in the Controlled Statement of Comprehensive Income for the transfer of the shares to QTC (refer Note 7). In recognising the FRN from QTC associated with the transfer of these shares in the DRF, a gain of $205.273 million was recognised in the Administered Statement of Comprehensive Income.

Below is a summary of the gain on transfers and fair value movement from the investment in the QFF:

	2021 $'000
Gain on transfer of Registry shares to QTC	5,991,251
Gain on transfer of Aurizon shares to QTC (notes 6 and 7)	205,973
Gain on fair value movement of the DRF FRN	20,232
Total gain on transfer and fair value movement	6,217,456

41 Payables

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Grants payable*	..	1,123,140
Deferred appropriation payable	..	144,171
Interdepartmental payable	..	50,058
Trade creditors	3,887	668
Other creditors	554	3,084
	4,441	1,321,121

* Adjustment to recognise a downward revision to the estimate for the total GST collected by the Commonwealth during 2019–20. The adjustment to recognise an upward revision to the estimate of the total GST collected by the Commonwealth during 2020–21, refer to note 39.

42 Interest bearing liabilities

	2021 $'000	2020 $'000
Administered on behalf of the whole-of-government		
Current		
Advances payable to GOC's*	1,136,165	1,492,364
Commonwealth borrowings	12,794	13,418
	1,148,959	1,505,782
Non-current		
QTC borrowings **	45,639,226	37,030,649
Commonwealth borrowings	28,606	36,454
Less concessional loan discount and unwind	(2,624)	(3,488)
	45,665,208	37,063,615

Accounting policy – Interest bearing liabilities

Borrowings are initially recognised at fair value, plus any transaction costs, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of a financial instrument to the net carrying amount of that instrument. The fair value of borrowings subsequently measured at amortised costs is set out in note 44(e). Borrowings are split between current and non-current liabilities using the principles set out in note 1(e).

*Government owned corporations (GOCs) are required to make any surplus cash available to the General Government Sector through modified set-off banking arrangements. Advances are made to the Treasury Offset Bank Account Arrangement (note 38). QTC charge interest at rates between 1.20% and 0.51% (2020: between 2.17% and 0.64%) along with an administration margin of 0.15% (2020: 0.15%).

**Interest is charged on whole-of-government borrowings with QTC at rates of between 3.42% and 0.26% (2020: between 4.22% and 2.35%) along with an administration margin at the rate of 0.07% (2020: 0.07%) which is accrued and paid quarterly to QTC.

Additional borrowings for COVID-19 response measures has been detailed in note 2 (c).

43 Contingencies

Administered on behalf of whole-of-government

Litigation in progress

As at 30 June 2021, the following number of cases were filed in the courts:

	Cases	Estimated amount $'000
Supreme Court	9	153,560
Civil and Administrative Tribunal	22	3,175
Total	31	156,735

These cases relate to revenue collected by the State Revenue Office. Treasury's legal advisers and management believe there is insufficient information available to determine the outcome of the abovementioned cases. Accordingly, no provision has been taken up in Treasury's financial statements.

44 Financial instruments

(a) Categorisation of financial instruments

Queensland Treasury has the following categories of financial assets and financial liabilities:

Administered on behalf of the whole-of-government

Category	Notes	2021 $'000	2020 $'000
Financial assets			
Cash assets	38	(1,459,583)	772,659
Receivables*	39	3,009,079	1,782,662
Other financial assets	40	7,742,219	..
Other current assets		144	154
Total		9,291,859	2,555,475
Financial liabilities			
Payables	41	4,441	1,321,121
Transfer to government payable		4,239,058	1,346,225
Advances payable to GOCs	42	1,136,165	1,492,364
QTC borrowings	42	45,639,226	37,030,649
Commonwealth borrowings held at amortised cost*	42	38,776	46,384
Other liabilities		99	358
Total		51,057,765	41,237,101

*Natural Disaster Relief and Recovery Arrangements loans (NDRRA) are carried at amortised cost, $54.7 million (2020: $68.5 million) with the Commonwealth portion of $38.8 million (2020: $46.4 million) and State portion of $15.9 million (2020: $22.1 million). The book value of NDRRA loans amount to $58.4 million (2020: $74.0 million) with the State portion of $16.9 million (2020: $24.2 million) and a Commonwealth portion of $41.4 million (2020: $49.8 million). Interest is charged on NDRRA loans at a predetermined rate and recognised as an expense as it accrues. Repayments are received yearly in arrears. The Commonwealth Attorney-General's Department – Emergency Management Australia determines the annual interest rate to be applied to the loans. In 2020-21 the interest rate was 0.45% (2020: 0.82%), which was calculated as 50% of the 10-year Treasury bond rate, averaged over the three-month period between April and June 2020.

(b) Financial risk management

Treasury's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk. For discussion on managing credit risk refer to note 39.

Treasury adopts a risk-based revenue management framework in conjunction with debt management strategies to manage credit risk.

The management of financial risks is integral to Treasury's overall governance framework. Treasury has adopted various strategies for the mitigation of each risk category, including active monitoring by the Budget Strategy and Financial Reporting group of borrowings by the State on behalf of whole-of-government. It is assisted in the discharge of these responsibilities through the provision of professional advice and assistance by the QTC (borrowings and short-term investments).

Treasury's internal financial reporting framework and oversight by the Executive Leadership Team also contribute to the effective management of financial risks.

(c) Liquidity risk

Treasury is exposed to liquidity risk in respect of its payables, Commonwealth borrowings, borrowings from QTC for the Floating Rate Government Debt Pools and Advances payable to GOCs.

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table sets out the liquidity risk of financial liabilities held by Treasury. 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 these tables differ from the amounts included in the Statement of Financial Position that are based on amortised cost.

QTC borrowings are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five-year time band with no interest payment assumed in this time band.

Administered on behalf of the whole-of-government

		2021 payable in				
	Notes	< 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	41	4,441	..	..	4,441	4,441
Transfer to government payable		4,239,058	..	..	4,239,058	4,239,058
Commonwealth borrowings*	42	12,981	26,194	2,730	41,905	41,400
Advances payable to GOCs	42	1,136,165	..	..	1,136,165	1,136,165
QTC borrowings	42	1,202,155	4,802,436	45,608,277	51,612,868	45,639,226
Other liabilities		99	..	..	99	99
Total		6,594,899	4,828,630	45,611,007	57,034,536	51,060,389

Administered on behalf of the whole-of-government

		2020 payable in				
	Notes	< 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	41	1,321,122	..	..	1,321,122	1,321,121
Transfer to government payable		1,346,225	..	..	1,346,225	1,346,225
Commonwealth borrowings*	42	13,831	29,913	7,237	50,981	49,872
Advances payable to GOCs	42	1,492,364	..	..	1,492,364	1,492,364
QTC borrowings	42	1,256,459	5,037,993	37,002,887	43,297,339	37,030,649
Other liabilities		358	..	..	358	358
Total		5,430,359	5,067,906	37,010,124	47,508,389	41,240,589

*Carrying amount excludes amortised cost component of Commonwealth borrowings.

44 Financial instruments (continued)

(d) Market risk

While Treasury (administered) does not trade in foreign currency, the mining industry is impacted by changes in the Australian dollar exchange rate and commodity prices, which may impact the royalty revenue received. Treasury is exposed to interest rate risk through its investments in the QFF and its borrowings, loans and advances and cash deposited in interest bearing accounts.

Interest rate sensitivity analysis

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date. The following interest rate sensitivity analysis depicts the outcome on comprehensive income and equity if interest rates were to change by +/- 0.25% for 2021 (2020: +/- 0.25%) to reflect current expectations of future interest rate movement in the next 12 months from the year end rates applicable to Treasury's financial assets and liabilities.

Administered on behalf of the whole-of-government

		2021 Interest rate risk			
		-0.25%		0.25%	
Financial instruments	**Carrying amount**	**Transfer to government**	**Equity**	**Increase in appropriation revenue**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash	(2,843,882)	7,110	7,110	(7,110)	(7,110)
Receivables					
Loans and advances	41,400	(104)	(104)	104	104
Interest bearing liabilities					
Commonwealth borrowings	41,400	104	104	(104)	(104)
Advances payable to GOCs	1,136,165	2,840	2,840	(2,840)	(2,840)
QTC borrowings – General Debt Pool (floating rate)*	42,543,653	27,363	27,363	(23,315)	(23,315)
QTC borrowings – Variable Rate Loan	3,095,572	7,739	7,739	(7,739)	(7,739)
Potential impact		45,052	45,052	(41,004)	(41,004)

Administered on behalf of the whole-of-government

		2020 Interest rate risk			
		-0.25%		0.25%	
Financial instruments	**Carrying amount**	**Transfer to government**	**Equity**	**Increase in appropriation revenue**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash	(233,587)	584	584	(584)	(584)
Receivables					
Loans and advances	49,872	(125)	(125)	125	125
Interest bearing liabilities					
Commonwealth borrowings	49,872	125	125	(125)	(125)
Advances payable to GOCs	1,492,364	3,731	3,731	(3,731)	(3,731)
QTC borrowings – Fixed rate debt pool	7,897,488	..	..	..	..
QTC borrowings – General debt pool (floating rate)*	29,133,162	20,716	20,716	(16,726)	(16,726)
Potential impact		25,031	25,031	(21,041)	(21,041)

* QTC borrowings - General debt pool is based on QTC sensitivity analysis and not based on the +/-0.25% (2020:+/-0.25%) change in interest rates.

44 Financial instruments (continued)

(e) Fair value

Fair value hierarchy

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 13 *Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques.

- 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 within level 1) that are observable, either directly or indirectly.
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

According to the above hierarchy, the fair values of each class of financial instrument carried at fair value are as follows:

Class		Classification according to fair value hierarchy			2021 Total carrying amount
		Level 1 $'000	Level 2 $'000	Level 3 $'000	$'000
Financial assets and liabilities					
Cash assets					
Other administered bank accounts		1,384,299	..	..	1,384,299
Whole-of-government Treasury Offset Arrangement		(2,843,882)	..	..	(2,843,882)
Other financial assets		..	..	7,742,219	7,742,219
Total		(1,459,583)	..	7,742,219	6,282,636

Class		Classification according to fair value hierarchy			2020 Total carrying amount
		Level 1 $'000	Level 2 $'000	Level 3 $'000	$'000
Financial assets and liabilities					
Cash assets					
Other administered bank accounts		1,006,246	..	..	1,006,246
Whole-of-government Treasury Offset Arrangement		(233,587)	..	..	(233,587)
Total		772,659	..	..	772,659

The fair value of monetary financial assets and financial liabilities, other than QTC borrowings, is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles. The fair value of the QFF is affected by the fair value of the underlying investments managed in the QIC trust for QTC.

The fair value of QTC borrowings is notified by QTC. The fair value of loans and borrowings is calculated using discounted cash flow analysis and the effective interest rate. The fair value of financial assets and liabilities carried at amortised cost is disclosed below.

44 Financial instruments (continued)

(e) Fair value (continued)

Administered on behalf of the whole-of-government

Fair value

	2021		2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Receivables				
Loans and advances*	62,197	77,933	78,590	76,649
	62,197	77,933	78,590	76,649
Financial liabilities				
Interest bearing liabilities – Commonwealth borrowings*	41,400	53,300	49,872	49,144
Interest bearing liabilities – QTC borrowings	45,639,226	48,869,143	37,030,650	41,918,302
Total	45,680,626	48,922,443	37,080,522	41,967,446

* Carrying amount excludes amortised cost component of Loans and advances and Commonwealth borrowings.

45 Budget vs actual comparison

This note contains the explanation of major variances between Treasury's actual 2020-21 financial results and the original budget presented to Parliament. There is no disclosure of budget to actual variance explanation for the Statement of Financial Position as the Service Delivery Statement (SDS) tabled in Parliament for the 2020-21 financial year does not include a budgeted Statement of Financial Position.

Explanation of major variances for Statement of Comprehensive Income

Note 28 - Grants and other contributions

The increase is mainly due to higher GST revenue received from the Australian Government ($2.143 billion) and higher National Partnership Capital Grants ($1.266 billion) mainly associated with the land transport infrastructure.

Note 29 - Taxes

The increase is mainly due to greater than expected Duties primarily as a result of transfer duties on title ($1.260 billion), registration ($113.282 million) and insurance ($56.357 million). Also contributing is greater than anticipated Payroll Tax ($263.271 million), Gambling Tax ($104.784 million) and Land Tax ($35.442 million).

Interest revenue

The decrease mainly relates to lower than expected interest on trust funds relating to the *Agents Financial Administration Act 2014* ($20.255 million) and lower than anticipated Queensland Future Fund interest ($6.237 million).

User charges and fees

The decrease is mainly associated with SPER fees of $6.260 million as a result of lower referral volumes and lodgement volumes.

Note 32 – Other revenue

The increase is mainly due to $16.478 million in GOC Competitive Neutrality Fees and higher than expected SPER fines $6.177 million. Also contributing is greater than anticipated other revenue including unclaimed monies from the Public Trustee Queensland ($3.772 million).

Note 40 – Gain on transfer/fair value movement of other financial assets

The increase is primarily associated with the transfer of 75% shares of the Titles Registry ($5.991 billion) and Aurizon shares ($205.973 million) to the Debt Retirement Fund.

45 Budget vs actual comparison (continued)

Note 34 – Losses on receivables

The decrease associated with the movements in impairment losses and bad debts expenses in SPER and the Office of State Revenue due to better than expected economic conditions.

Note 36 – Grants and subsidies

The increase is mainly due to Commonwealth HomeBuilder Grant ($262.985 million) and First Home Owners' Grant ($54.372 million). Also contributing is grant payments associated with Queensland Reconstruction Authority, South Bank Corporation and the State Assessment and Referral Agency of $31.783 million as a result of machinery-of-government changes effective 1 June 2020. These are partially offset by decreased payments to Payroll Tax rebates ($66.102 million), Land Tax rebates ($31.222 million) and the Jobs and Regional Growth Fund ($15.144 million).

Note 37 – Other expenses

The decrease is mainly due to QGIF claim expenses ($227.653 million), Long Service Leave Reimbursement payment ($220.789 million), Super Benefit payments made to individuals ($63.441 million) and Annual Leave Central Scheme claims ($50.177 million). This is partially offset by an indemnity for losses associated with maintaining members insurance premiums due to COVID-19 pandemic ($11.241 million).

Transfers of administered revenue to government

Transfers of Administered Revenue to Government represent revenues collected on behalf of the Queensland Government that are transferred to CF.

46 Related entity transactions with other Queensland Government controlled entities

The references to note numbers in the following disclosures may include other items to those listed below that are not classified as material or significant related entity transactions.

Controlled transactions

Controlled	
Note reference	Description of related entity transactions
Note 3: Appropriation revenue and equity	Treasury's primary source of funding for the controlled books are appropriation revenue and equity injections from the State's Consolidated Fund. Equity withdrawals for investments are also paid to the Consolidated Fund.
Note 4: User charges and fees	Treasury received revenue from the Department of Education for the provision of data for education planning services ($1.456 million) and QGrant system support services ($0.459 million), from Queensland Health for preventative health surveys ($1.050 million) and the Department of Employment, Small Business and Training for employment related data collection ($0.371 million) and QGrant system support services ($0.456 million).
	Treasury received reimbursement from QIC for costs incurred for QFF establishment costs and rating agency fees ($1.523 million).
	Treasury received revenue from the Motor Accident Insurance Commission and Nominal Defendant for corporate support ($1.390 million), ICT services ($0.495 million) and actuarial services ($0.494 million).
Note 9: Supplies and services	Treasury paid the Department of Communities and Digital Economy (former Department of Housing and Public Works) for the management of accommodation leases (before 1 December 2020 $7.429 million), Queensland Shared Services(QSS) for business service fees ($1.392 million) and for the outsourcing of SPER contact centre ($6.319 million). After 1 December 2020 the management of accommodation leases ($11.837 million) and SLA charges ($0.221 million) were paid to the Department of Energy and Public Works.
	Treasury paid corporate support services ($3.063m) to DRDM for Planning and Infrastructure and Economic Resilience and received services below fair value for corporate support services from DSDILGP for IFP under MoG arrangements.
	Treasury paid legal fees ($0.997 million) to the Department of Justice and Attorney-General for professional services rendered in relation to State Revenue legal cases, judicial review and other legal advice.
	QTC provides company secretariat and accounting services to QTH. A fee of $0.338 million was charged for these services.
Note 10: Grants and subsidies	Treasury paid grants to DSDILGP for the transfer of Resources Community Infrastructure Fund (RCIF) ($33.401 million), to DES for the Financial Provisioning Scheme ($2.271 million) and to DTIS for the Advance QLD Industry Attraction Fund ($1.500 million).
Note 11: Other expenses	Treasury paid to the Queensland Audit Office audit fees relating to the 2020-21 financial statements.
Note 13: Cash and cash equivalents	QTH invested funds with the QTC Cash Fund as at 30 June 2021 totalled $114.6 million and interest revenue net of management fees received during the year totalled $0.621 million.
Note 14: Receivables	Treasury pays the Department of Energy and Public Works for project delivery costs and reimbursement cost of project work.
Note 15: Other financial assets	Treasury holds various investments managed by QIC which includes the BDF, BQBIF, CARP Pharmaceuticals and FP Fund.
Note 19: Payables	Treasury paid DSDILGP during the year for post-MoG transactions amounting to $18.3 million for Planning and Infrastructure and Economic Resilience and $14.6 million for IFP.
Note 21: Interest bearing liabilities	QTH has loan balances outstanding to QTC as at 30 June 2021 of $102.8 million with interest expense and fees totalling $5 million capitalised against these loans.

46 Related entity transactions with other Queensland Government controlled entities (continued)

Administered transactions

Administered	
Note Reference	Description of related entity transactions
Note 29: Taxes	Treasury's State Revenue collection is responsible for administering local government tax equivalents under the Local Government Act 2009. Commercialised business units that are in scope under these administrative arrangements are subject to payroll tax, land tax, vehicle registration duty, insurance duty and transfer duty ($211.885 million).
Note 30: Royalties	Treasury administers collection of royalties ($12.4 million) from Government Owned Corporations (GOC's).
Note 31: Appropriation revenue and Statement of Comprehensive Income - Transfers of administered revenue to government	Treasury receives appropriation revenue and equity injections for investments provided in cash via the State's Consolidated Fund. State revenue collection is transferred to the Consolidated Fund. Equity withdrawals for borrowing requirements are also paid to the Consolidated Fund.
Note 32: Other revenue	Treasury administers the collection of competitive neutrality fees from GOC's under the National Competition Policy.
Note 36: Grants and subsidies	Treasury administers grant payments to statutory bodies including Queensland Reconstruction Authority ($367.713 million), Queensland Productivity Commission ($4.289 million), Queensland Competition Authority ($3.650 million) and Building Queensland ($7.705 million).
Note 37: Other expenses	Treasury administers the Queensland Government Insurance Fund, which receives premiums from and pays claims to member agencies relating to a full suite of insurance lines
Note 38: Cash assets	Treasury operates a whole of Government offset arrangement, which includes the Treasury Offset Bank Account and a Working Capital Facility. Note 38 outlines the key terms and conditions of these arrangements which covers advances from and principal repayments to the General Government Debt Pool (GDP) disclosed in Note 42. This include advances from GOC's under the GOC cash offset arrangements.
Note 39: Receivables	Treasury administers the provision of State and Commonwealth loans ($2.738 million) for NDRRA to Queensland Rural and Industry Development Authority (QRIDA).
Note 40: Other financial assets	Treasury holds an investment in the QFF. The DRF, a sub-fund of the QFF holds an FRN with QTC.
Note 41: Payables	Treasury paid DRDM during the year for post-MoG transactions amounting to $391.2 million for Queensland Reconstruction Authority, Building Queensland, South Bank Corporation and State Assessment and Referral Agency (SARA).
Note 42: Interest bearing liabilities	Treasury pays interest for borrowings it undertakes with QTC.

47 Transfer payments

Payments under the Intergovernmental Agreement on Federal Financial Relations are made from the Commonwealth Treasury to the state and territory treasuries. These payments represent Specific Purpose Payments, National Partnership Payments and general revenue assistance.

While most of these payments are receipted and paid out to departments via appropriation funding, some payments are passed on directly to the relevant entities. These payments occur where:

- the payment is ultimately for a third party, for example, non-government schools
- the payment is a reimbursement of expenditure incurred by the State after invoicing the Commonwealth, or

47 Transfer payments (continued)

- the agreement with the Commonwealth requires the payment to be paid into an interest-bearing account held by the final recipient of the funding.

Amounts received from the Commonwealth for direct payments to the following entities in 2020–21 totalled $3.194 billion (2019–20: $3.187 billion):

- Department of Education - quality schools funding, $3.175 billion (2019–20: $3.153 billion)
- Department of Agriculture and Fisheries - pest and disease preparedness and response programs, $18.622 million (2019–20: $34.487 million)

48 Agency transactions

Treasury currently acts as an agent and processes grant payments on behalf of a number of Queensland government departments. These transactions do not form part of Queensland Treasury's accounts and are instead reported by the various departments. For the 2020-21 financial year the total value of grants paid was $258.706 million (2019–20: $265.217 million). The decrease in 2020-21 of $6.511 million is mainly due to the decrease in Back to Work grants paid ($9.446 million) by the Department of Employment, Small Business and Training partially offset by the increase ($2.121 million) in the grants paid by the Department of Tourism, Innovation and Sport (former Department of National Parks, Sport and Racing).

QSuper operates the Employers Contribution bank account on behalf of Treasury, in accordance with the *Financial Accountability Act 2009*. The account is utilised to provide for the whole-of-government Long Service and Annual Leave Central Schemes and Employer Superannuation Contributions. The account balance as at 30 June 2021 was $0.711 million (2019–20: $0.976 million), which represents money in transit to be identified as owing to either the Consolidated Fund and/or other Government Agencies.

49 Queensland Government e-merchant program

Treasury acts as a custodian over the settlement account (held by the third party, Cuscal) for the Queensland Government's pre-paid debit card program. At reporting date, the balance in the account is $0.335 million (2019–20: $0.339 million) with no interest earned for the year (2019-20: $1,550.48), which represents unspent funds advanced by agencies.

Accounting policy

Treasury administers certain transactions and balances in a trust or fiduciary capacity such as the settlement account held by the third party Cuscal for the Queensland Government e-merchant program.

50 Trust transactions and balances

Treasury also acts as an agent in the collection and distribution of unpaid infringement fines and court ordered monetary amounts for various external parties including local government bodies, universities and individuals.

	2021 $'000	2020 $'000
Opening balance	14,157	13,024
Collections:		
Cash receipts	39,922	41,008
Debtor overpayments	(171)	616
Cash not receipted	356	187
Cash not banked	(4)	11
Other	(155)	(93)
Distributions to principals	(40,056)	(40,596)
Balance 30 June	14,049	14,157

As Treasury performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements but are disclosed in these notes for the information of users. While these transactions and balances are in the care of Treasury, they are subject to Treasury's normal system of internal control and external audit by the Auditor-General (notes 47–50).

These general-purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 38 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with s.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 prescribed accounting standards, of the transactions of Queensland Treasury and the consolidated entity for the financial year ended 30 June 2021 and of the financial position of Queensland Treasury and the consolidated entity at the end of that year.

The Under Treasurer, as the Accountable Officer of the Department, acknowledge(s) responsibility under s.7 and s.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.

L. Allen
Acting Under Treasurer
25 August 2021

D. Brooks
Chief Finance Officer
25 August 2021

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Queensland Treasury

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Treasury (the parent) and its controlled entity (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2021, and their 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 statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2021, the statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of comprehensive income by major departmental services 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 parent and group 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.

Completeness of payroll tax revenue ($4.214 billion as at 30 June 2021)

Refer to note 29 in the financial report

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>Payroll tax is a material balance of the department. The self-assessed nature of payroll tax increases the risk over completeness of payroll tax revenue collected and accrued, as reported in the administered statement of comprehensive income.

Completeness of revenue recognised is dependent on whether:
• all liable taxpayers have registered to pay payroll tax, and
• the amounts disclosed by taxpayers accurately reflect their operations, and thus the calculation base for the tax is complete.

The department verifies taxpayer compliance using a risk-management approach, to ensure taxpayers are paying the correct amount of tax.

The department has implemented an annual compliance program to address this risk.</td><td>My procedures included, but were not limited to:
• Testing the controls within the revenue management system to confirm the accuracy of the payroll tax calculations.
• Reviewing outcomes of Queensland Treasury's compliance program for payroll tax and assessing the extent of historical recoveries to determine the impact on overall payroll tax revenue.
• Performing the following analytical review over payroll tax income:
– analysing and corroborating the year on year trends at business partner level to identify any unusual movements/ relationships
– comparing the trends in external data such as wage growth rate and employment rate to the movement in payroll tax income, and corroborating any unusual movements/ relationships, and
– analysing and corroborating the year-on-year trends between actual and budgeted payroll tax revenue.
• Our testing also included the following procedures over payroll tax measures implemented as part of the government's response to COVID-19:
– assessing the controls over the payment of tax refunds to eligible taxpayers, and
– assessing the extent to which deferral of payroll tax has impacted payroll tax receivable as at 30 June 2021, including assessment of receivables for possible impairment.</td></tr>
</table>

Establishment of the Queensland Future Fund – Debt Retirement Fund ($7.742 billion as at 30 June 2021)

Refer to note 40 in the financial report

Key audit matter	How my audit addressed the key audit matter
Other financial assets are a material balance in the Administered Statement of Financial Position and are reported at fair value through profit or loss. During the year initial investments of $7.7 billion were seeded in the Queensland Future Fund (QFF) – Debt Retirement Fund (DRF) as at 30 June 2021. These initial investments occurred through a series of asset transfers involving several government entities and, in some instances, required the restructuring of existing government operations. The assets were ultimately transferred into an unlisted unit trust, the Debt Retirement Trust (DRT), managed by QIC Limited. Units in the DRT are held by QTC on behalf of Queensland Treasury. In return, Queensland Treasury hold a Fixed Rate Note (FRN) receivable with QTC. The initial fair value of the FRN represented the fair value of the individual assets transferred into the DRT. The QFF Act requires: • the accounts of the QFF to be kept as special purpose accounts of Queensland Treasury • the QFF accounts to form part of the department's annual financial statements • Queensland Treasury's financial statements to disclose: – contributions made to the fund, and – payments made from the fund, including the purpose of each payment.	My procedures included, but were not limited to: • obtaining an understanding of the legislative framework for the establishment of the DRF. • obtaining an understanding of the ownership and governance structure for the DRF and the initial investments made into the DRF. • evaluating documentation supporting initial investments made into the DRF, including ensuring that asset transfers were appropriately authorised and complied with directions given by the Treasurer under the *Queensland Future Fund Act 2020*. • assessing and confirming the appropriateness of the accounting treatment of each transaction associated with the establishment of the DRF including: – recognition and derecognition of assets transferred between government entities in accordance with prescribed accounting requirements; and – accounting for the recognition of the FRN by Queensland Treasury and the fair value of the FRN as at 30 June 2021 in accordance with AASB 9 Financial Instruments. • confirming the appropriateness of disclosures in Queensland Treasury's financial statements, including compliance with requirements of the QFF Act. The auditor of the DRT engaged an auditor's expert to assess the value of the Queensland Titles Registry (QTR) operations transferred to the DRF. Work performed by the auditor's expert included: • obtaining an understanding of the valuation methodology applied to the transfer of the QTR operations • assessing the reasonableness of techniques applied in valuing the QTR operations • assessing the reasonableness of key assumptions and inputs used in valuing the QTR operations, and • concluding on the reasonableness of the valuation applied to the QTR operations In forming my opinion on the value of the FRN held by Queensland Treasury I assessed the work performed by the expert engaged by the auditor of the DRT including: • evaluating their qualifications, competence, capabilities and objectivity • assessing the nature, scope and objectives of the work completed for appropriateness, and • evaluating the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.

Impairment of State Penalties Enforcement Registry (SPER) Fines Receivable (SPER fines revenue $230.3 million for 2020-21; receivables of $1,081 million as at 30 June 2021)

Refer to notes 32, 34 and 39 in the financial report

Key audit matter	How my audit addressed the key audit matter
SPER debts are impaired on consideration of the likelihood of collectability with reference to historical activity for the specific debt types being assessed. Management judgement is required in assessing the extent to which debts may be impaired.	My procedures included but were not limited to: • Assessing management's controls over SPER collection and finalisation rates of the referred debts as these impact the determination of the long-term debt finalisation, withdrawal and recall rates. • Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness. • Recalculating the long-term debt finalisation, withdrawal and recall rates to validate the mathematical accuracy of the model. • Recalculating the impairment charge by applying the long-term debt finalisation, withdrawal and recall rates to the debt pool and comparing the impairment charge to the general ledger, and • Assessing the extent to which management's assessment of impairment reflects current economic circumstances, including the continuing impact of COVID-19.

Responsibilities of the accountable officer 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 parent's and group'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 parent or group 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 group.

- Conclude on the appropriateness of the parent's and group'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 parent's or group'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 parent or group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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.

B.P. Worrall

26 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

Appendices

Consultancies, language services, overseas travel

Reports of Treasury's expenditure on consultancies, language services and overseas travel are published on the Open Data website data.qld.gov.au.

External scrutiny

External audits and reviews aid transparency in government, and help Treasury improve its performance and monitor its progress towards Queensland's Economic Recovery Plan.

The following reports of independent reviews were tabled in Parliament during 2020–21:

Auditor-General Report to Parliament

Effectiveness of audit committees in State Government entities (whole of government)

Report No 2 2020–21, tabled 8 September 2020

Recommendations

That all entities' audit committees have the right members, are engaged with their leaders, understand their role, add value and continue to improve and evolve.

Specifically, that Treasury:

+ mandates all members of audit committees for Queensland state government entities must be independent of management and not an employee of the entity or another Queensland state government entity
+ coordinates with the Department of the Premier and Cabinet to actively promote the use of its Queensland Register of Nominees to prospective audit committee candidates, and to entities looking for new members
+ supports regional audit committees with clear guidance about how they can source suitable candidates and use technology to attract or connect with nominees
+ supports audit committees and entities to access appropriate training and guidance materials
+ provides improved guidance to audit committees on how to effectively assess and improve their performance practices.

Treasury's response

Treasury supported a combination of internal and external members and supported all other recommendations.

To increase support and guidance, Treasury undertook work to consult and improve the Audit Committee Guidelines.

Queensland Government response to COVID-19 (whole of government)

Report No 3 2020–21, tabled 22 September 2020

Recommendations

That Treasury contributes to a whole-of-government report that provides the first phase of the audit program examining Queensland Government's response to COVID-19, and its measures and their costs.

Treasury's response

Treasury played a critical role in advising the Queensland Government on the uptake and impact of each COVID-19 measure. Monitoring and governance of the government's response will be maintained, with continued advice to be provided to the Queensland Government on its progress. Treasury is working with agencies to monitor the actual cost of these initiatives.

Awarding of sports grants (whole of government)

Report No 6 2020–21, tabled 29 September 2020

Recommendation

That Treasury updates the Financial Accountability Handbook to provide clarity on the role of a minister in the selection and approval of grant recipients.

Treasury's response

As part of the work to update the handbook, practical guidance will be included on the provision of advice and recording of decisions.

State Entities 2020 (whole of government)

Report No 13 2020–21, tabled 11 February 2021

Recommendation

That all entities continue to ensure financial statements are reliable, acknowledging that a rapid response to COVID-19 can bring risk and that strong information systems are critical.

Appendices

The report encouraged relevant ministers and central agencies to explore opportunities for releasing the audited financial statements of public sector entities in a more timely way.

Treasury's response

Treasury communicated to Chief Finance Officers encouraging them to table their departmental annual reports at the earliest opportunity rather than waiting for the legislative deadline of 30 September.

State Finances 2020 (whole of government)

Report No 15 2020–21, tabled 18 March 2021

Recommendations

That Treasury:

+ amends the *Financial Accountability Act 2009* to include a statutory timeframe for the annual certification and tabling in Parliament of the consolidated Queensland Government financial statements
+ certifies the financial statements prior to 31 October, in an election year, to allow for tabling prior to the state election
+ amends the *Queensland Future Fund Act 2020* to include a requirement for financial statements to be prepared, audited, and made publicly available for each fund created.

Treasury's response

The preparation of the Report on State Finances is dependent on audited agency financial statements, which are only finalised by 31 August.

Treasury works to ensure that, in a non-election year, statements are certified by 31 October. In an election year, Treasury works with the Queensland Audit Office to ensure statements are finalised as soon as possible.

Treasury will disclose the Queensland Future Fund as per the Act as well as strategic asset allocation in the Queensland Treasury Annual Report.

Publications

Treasury produces a range of publications, guidelines, and other useful resources about:

+ each year's Queensland Budget cycle
+ financial and economic policy
+ government-owned corporations
+ economic, statistical and demographic research
+ infrastructure projects
+ state revenue, including land tax, payroll tax and duties
+ home owner and builder grants
+ advice on paying infringement notices and fines.

Many of these are available through treasury.qld.gov.au or by contacting us at communications@treasury.qld.gov.au.

Government bodies

A report from the Office of Best Practice Regulation on implementation of Regulatory Impact Analysis by agencies and exemptions granted by Cabinet for the period 2 June 2021 to 30 June 2021 is available at treasury.qld.gov.au.

Glossary

CFER
COVID-19 Fiscal and Economic Review, a statement of the government's plans for state finances and the economy published in September 2020.

Code of Conduct
The Code of Conduct for the Queensland public service guides the consistent standards of conduct for all public sector employees and demonstrates the government's commitment to integrity and accountability, reflecting the ethics principles and values prescribed in the *Public Sector Ethics Act 1994*.

Duties/duty
A state tax on certain transactions including transfer of property (transfer duty), vehicle registration, insurance contracts and other acquisitions.

Financial Provisioning Fund
The Financial Provisioning Fund was established under the *Mineral and Energy Resources (Financial Provisioning) Act 2018* to provide a source of pooled funding to meet approved expenditure for environmental remediation and rehabilitation of resource sites, legacy abandoned mines, rehabilitation research and Financial Provisioning Scheme administration.

Financial Provisioning Scheme
A scheme under the *Mineral and Energy Resources (Financial Provisioning) Act 2008* to manage the state's financial risks from resource sector environmental authority holders failing to meet their environmental and rehabilitation obligations under the *Environmental Protection Act 1994*. The scheme is managed by the Scheme Manager, a statutory officer appointed by the Governor in Council.

FTE
Full-time equivalent and refers to the number of employment hours considered full-time.

GOC
Government-owned corporation

GST
Goods and services tax

Land tax
State tax on freehold land, assessed on the taxable value of an owner's total land holdings. In Queensland, landowners are entitled to an exemption from land tax for the land they use as their home.

MOHRI
Minimum obligatory human resource information used to inform the Queensland public sector workforce profile.

MYFER
Mid-Year Fiscal and Economic Review

Nominal Defendant
A statutory body that compensates people injured by unidentified and uninsured vehicles.

Payroll tax
State tax paid if an employer, or group of employers, pays more than $1.3 million in annual Australian taxable wages.

Project Maroon
Project Maroon was the securing of the Virgin Australia Headquarters and a range of other benefits in Queensland.

QAO
Queensland Audit Office

QIC
Queensland Investment Corporation

QGSO
Queensland Government Statistician's Office

Royalty revenue
Royalties are payments to the owners of a resource for the right to sell, dispose of or use that resource. In the context of Treasury's revenue management service, these resources are usually from petroleum, coal and other mining activities.

Savings and Debt Plan
The Queensland Government's plan to support economic recovery from COVID-19 with a target of $3 billion in savings over 4 years.

State Penalties Enforcement Registry (SPER)
Part of the Office of State Revenue, SPER collects and enforces unpaid infringement notice fines, court-ordered monetary fines and offender recovery orders issued in Queensland.

Queensland Treasury Annual Report 2020–21 compliance checklist

Summary of requirement		**Basis for requirement**	**Annual report reference**
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister	ARRs – section 7	Inside front cover
Accessibility	Table of contents Glossary	ARRs – section 9.1	Page 1 Page 109
	Public availability	ARRs – section 9.2	Inside front cover
	Interpreter service statement	*Queensland Government Language Services Policy* ARRs – section 9.3	Inside front cover
	Copyright notice	*Copyright Act 1968* ARRs – section 9.4	Inside front cover
	Information licensing	*QGEA – Information Licensing* ARRs – section 9.5	Inside front cover
General information	Introductory information	ARRs – section 10	Pages 2, 3-7, 15-17
Non-financial performance	Government's objectives for the community and whole-of-government plans/specific initiatives	ARRs – section 11.1	Page 8
	Agency objectives and performance indicators	ARRs – section 11.2	Pages 3-6, 15-17
	Agency service areas and service standards	ARRs – section 11.3	Pages 3-6, 15-17
Financial performance	Summary of financial performance	ARRs – section 12.1	Pages 18-24
Governance – management and structure	Organisational structure	ARRs – section 13.1	Pages 10-11
	Executive management	ARRs – section 13.2	Page 8
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	Page 7
	Public sector ethics	*Public Sector Ethics Act 1994* ARRs – section 13.4	Page 13
	Human rights	*Human Rights Act 2019* ARRs – section 13.5	Page 13
	Queensland public service values	ARRs – section 13.6	Page 13
Governance – risk management and accountability	Risk management	ARRs – section 14.1	Page 9
	Audit committee	ARRs – section 14.2	Page 9
	Internal audit	ARRs – section 14.3	Page 9
	External scrutiny	ARRs – section 14.4	Pages 107-108
	Information systems and recordkeeping	*ARRs – section 14.5*	Page 7
	Information security attestation	ARRs – section 14.6	Page 7
Governance – human resources	Strategic workforce planning and performance	*ARRs – section 15.1*	Pages 12-14
	Early retirement, redundancy and retrenchment	Directive No.04/18 *Early Retirement, Redundancy and Retrenchment* ARRs – section 15.2	Page 14
Open Data	Statement advising publication of information	ARRs – section 16	Page 108
	Consultancies	ARRs – section 33.1	data.qld.gov.au
	Overseas travel	ARRs – section 33.2	data.qld.gov.au
	Queensland Language Services Policy	ARRs – section 33.3	data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Pages 25-106
	Independent Auditor's Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	Pages 102-106

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs *Annual report requirements for Queensland Government agencies*