

Department of Education Financial Statements for the year ended 30 June 2021

TABLE OF CONTENTS

| | | | |
|--|--|--|---------|
| Financial Statements | Statement of Comprehensive Income | | Page 3 |
| | Statement of Comprehensive Income by Major Departmental Service | | Page 4 |
| | Statement of Financial Position | | Page 5 |
| | Statement of Assets and Liabilities by Major Departmental Service | | Page 6 |
| | Statement of Changes in Equity | | Page 7 |
| | Statement of Cash Flows (including Notes to Statement of Cash Flows) | | Page 8 |
| Notes to the Financial Statements | Section 1 About the Department and this Financial Report | A1. Basis of Financial Statement Preparation | Page 10 |
| | | A1-1 General Information | Page 10 |
| | | A1-2 Compliance with Prescribed Requirements | Page 10 |
| | | A1-3 Presentation | Page 10 |
| | | A1-4 Authorisation of Financial Statements for Issue | Page 10 |
| | | A1-5 Basis of Measurement | Page 10 |
| | | A1-6 The Reporting Entity | Page 10 |
| | | A1-7 Financial Impacts from COVID-19 Pandemic | Page 11 |
| | | A2. Departmental Objectives | Page 11 |
| | | A3. Machinery of Government Changes | Page 12 |
| | | A4. Controlled Entities | Page 12 |
| | Section 2 Notes about our Financial Performance | B1. Revenue | Page 13 |
| | | B1-1 Appropriation Revenue | Page 13 |
| | | B1-2 User Charges and Fees | Page 13 |
| | | B1-3 Grants and Contributions | Page 14 |
| | | B2. Expenses | Page 15 |
| | | B2-1 Employee Expenses | Page 15 |
| | | B2-2 Supplies and Services | Page 16 |
| | | B2-3 Grants and Subsidies | Page 17 |
| | | B2-4 Other Expenses | Page 17 |
| | | C1. Cash and Cash Equivalents | Page 18 |
| | Section 3 Notes about our Financial Position | C2. Receivables | Page 18 |
| | | C3. Property, Plant, Equipment and Depreciation Expense | Page 20 |
| | | C3-1 Closing Balances and Reconciliation of Carrying Amount | Page 20 |
| | | C3-2 Recognition and Acquisition | Page 22 |
| | | C3-3 Measurement | Page 22 |
| | | C3-4 Depreciation Expense | Page 25 |
| | | C3-5 Impairment | Page 25 |
| | | C4. Payables | Page 26 |
| | | C5. Borrowings | Page 26 |
| | | C5-1 Finance Liability and Commitments | Page 26 |
| | | C5-2 Disclosures about Sensitivity to Interest Rate Movements | Page 26 |
| | | C5-3 Fair Value Disclosures for Financial Liabilities Measured at Amortised Cost | Page 27 |
| | | C6. Public Private Partnerships | Page 27 |
| | | C6-1 Other Public Private Partnerships outside AASB 1059 | Page 27 |
| | | C6-2 Operating Statement Impact | Page 29 |
| | | C6-3 Estimated Future Cash Flows | Page 30 |
| | | C7. Accrued Employee Benefits | Page 30 |

Department of Education Financial Statements
for the year ended 30 June 2021

TABLE OF CONTENTS (continued)

| | | | | |
|--|-----------------------|------|--|---------|
| Notes to the Financial Statements (Continued) | Section 3 | C8. | Equity | Page 31 |
| | Notes about our | C8-1 | Contributed Equity | Page 31 |
| | Financial Position | C8-2 | Appropriations Recognised in Equity | Page 31 |
| | (continued) | C8-3 | Asset Revaluation Surplus by Asset Class | Page 31 |
| | Section 4 | D1. | Financial Risk Disclosures | Page 32 |
| | Notes about Risks and | D1-1 | Financial Instrument Categories | Page 32 |
| | Other Accounting | D1-2 | Financial Risk Management | Page 32 |
| | Uncertainties | D1-3 | Liquidity Risk - Contractual Maturity of Financial Liabilities | Page 33 |
| | | D2. | Contingencies | Page 33 |
| | | D3. | Commitments | Page 34 |
| | Section 5 | E1. | Budgetary Reporting Disclosures | Page 35 |
| | Notes about our | E1-1 | Explanation of Major Variances – Statement of Comprehensive | Page 35 |
| | Performance compared | | Income | |
| | to Budget | | | |
| | Section 6 | F1. | Administered Activities | Page 36 |
| | What we look after on | F1-1 | Schedule of Administered Income and Expenditure | Page 36 |
| | behalf of whole-of- | F1-2 | Reconciliation of Payments from Consolidated Fund to | Page 37 |
| | government and third | | Administered Income | |
| | parties | F1-3 | Schedule of Administered Assets and Liabilities | Page 37 |
| | | F1-4 | Administered Activities – Budget to Actual Variance Analysis | Page 37 |
| | | F2. | Trust Transactions and Balances | Page 38 |
| | Section 7 | G1. | Key Management Personnel (KMP) Remuneration | Page 39 |
| | Other Information | G2. | Related Party Transactions | Page 42 |
| | | G3. | New and Revised Accounting Standards | Page 42 |
| | | G4. | Events Occurring after the Reporting Date | Page 42 |
| | | G5. | Taxation | Page 42 |
| | | G6. | Climate Risk Disclosure | Page 42 |
| Certification | | | Management Certificate | Page 43 |

Department of Education
Statement of Comprehensive Income
for the year ended 30 June 2021

| | | 2021 | 2021 | | 2020 |
|--|-------|-------------------|--------------------|---------------------|-------------------|
| | Notes | | Original budget | Budget variance* | |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| OPERATING RESULT | | | | | |
| Income from continuing operations | | | | | |
| Appropriation revenue | B1-1 | 9 482 432 | 9 646 333 | (163 901) | 9 416 379 |
| User charges and fees | B1-2 | 399 651 | 430 412 | (30 761) | 393 692 |
| Grants and contributions | B1-3 | 208 504 | 186 498 | 22 006 | 198 496 |
| Interest | | 4 803 | 10 364 | (5 561) | 9 188 |
| Other revenue | | 68 066 | 18 742 | 49 324 | 40 715 |
| Total income from continuing operations | | 10 163 456 | 10 292 349 | (128 893) | 10 058 470 |
| Expenses from continuing operations | | | | | |
| Employee expenses | B2-1 | 7 691 693 | 7 812 685 | (120 992) | 7 603 666 |
| Supplies and services | B2-2 | 1 337 170 | 1 497 979 | (160 809) | 1 504 987 |
| Grants and subsidies | B2-3 | 293 685 | 321 602 | (27 917) | 308 819 |
| Depreciation and amortisation | C-3 | 607 956 | 550 603 | 57 353 | 534 704 |
| Impairment losses/(gains) | | (14 674) | 728 | (15 402) | 7 312 |
| Finance/borrowing costs | | 19 785 | 31 516 | (11 731) | 22 008 |
| Other expenses | B2-4 | 70 524 | 77 236 | (6 712) | 75 660 |
| Total expenses from continuing operations | | 10 006 139 | 10 292 349 | (286 210) | 10 057 156 |
| Operating result for the year | | 157 317 | - | 157 317 | 1 314 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| <u>Items that will not be reclassified to operating result:</u> | | | | | |
| Increase/(decrease) in asset revaluation surplus | C8-3 | 939 923 | 652 419 | 287 504 | 789 077 |
| Total items that will not be reclassified to operating result | | 939 923 | 652 419 | 287 504 | 789 077 |
| TOTAL COMPREHENSIVE INCOME | | 1 097 240 | 652 419 | 444 821 | 790 391 |

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

The accompanying notes form part of these statements.

Department of Education – Statement of Comprehensive Income by Major Departmental Service
for the year ended 30 June 2021

| | Early Childhood Education and Care | | School Education | | Industrial Relations | | Racing | | Total | |
|--|---------------------------------------|----------------|------------------|------------------|----------------------|----------------|---------------|----------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Income from continuing operations | | | | | | | | | | |
| Appropriation revenue | 290 391 | 283 111 | 9 159 594 | 9 100 700 | 27 903 | 32 568 | 4 544 | - | 9 482 432 | 9 416 379 |
| User charges and fees | 1 150 | 1 139 | 380 104 | 374 651 | 18 397 | 17 902 | - | - | 399 651 | 393 692 |
| Grants and contributions | 613 | 692 | 79 975 | 77 784 | 127 916 | 120 020 | - | - | 208 504 | 198 496 |
| Interest | - | - | 4 803 | 9 188 | - | - | - | - | 4 803 | 9 188 |
| Other revenue | 4 043 | 4 649 | 57 439 | 35 576 | 584 | 490 | 6 000 | - | 68 066 | 40 715 |
| Total Income from continuing operations | 296 197 | 289 591 | 9 681 915 | 9 597 899 | 174 800 | 170 980 | 10 544 | - | 10 163 456 | 10 058 470 |
| Expenses from continuing operations | | | | | | | | | | |
| Employee expenses | 42 246 | 41 434 | 7 534 236 | 7 448 897 | 114 850 | 113 335 | 361 | - | 7 691 693 | 7 603 666 |
| Supplies and services | 25 275 | 25 944 | 1 271 470 | 1 437 895 | 40 416 | 41 148 | 9 | - | 1 337 170 | 1 504 987 |
| Grants and subsidies | 221 522 | 218 409 | 56 702 | 79 360 | 10 915 | 11 050 | 4 546 | - | 293 685 | 308 819 |
| Depreciation and amortisation | 2 572 | 2 538 | 603 815 | 530 392 | 1 569 | 1 774 | - | - | 607 956 | 534 704 |
| Impairment losses/(gains) | 67 | 38 | (14 777) | 7 135 | 36 | 139 | - | - | (14 674) | 7 312 |
| Finance/borrowing costs | 4 | 4 | 19 781 | 22 004 | - | - | - | - | 19 785 | 22 008 |
| Other expenses | 52 | 1 261 | 70 028 | 73 415 | 444 | 984 | - | - | 70 524 | 75 660 |
| Total Expenses from continuing operations | 291 738 | 289 628 | 9 541 255 | 9 599 098 | 168 230 | 168 430 | 4 916 | - | 10 006 139 | 10 057 156 |
| Operating result for the year | 4 459 | (37) | 140 660 | (1 199) | 6 570 | 2 550 | 5 628 | - | 157 317 | 1 314 |
| Other comprehensive income | | | | | | | | | | |
| Items that will not be reclassified to operating result: | | | | | | | | | | |
| Increase/(decrease) in asset revaluation surplus | 4 764 | (719) | 935 159 | 789 796 | - | - | - | - | 939 923 | 789 077 |
| Total other comprehensive income | 4 764 | (719) | 935 159 | 789 796 | - | - | - | - | 939 923 | 789 077 |
| Total comprehensive income | 9 223 | (756) | 1 075 819 | 788 597 | 6 570 | 2 550 | 5 628 | - | 1 097 240 | 790 391 |

Department of Education
Statement of Financial Position
as at 30 June 2021

| | | 2021 Actual \$'000 | 2020 Actual \$'000 |
|--------------------------------------|-------|--------------------------|--------------------------|
| | Notes | | |
| Current assets | | | |
| Cash and cash equivalents | C1 | 1 242 650 | 908 997 |
| Receivables | C2 | 138 247 | 91 271 |
| Inventories | | 1 961 | 2 783 |
| Other current assets | | 89 202 | 117 316 |
| Total current assets | | 1 472 060 | 1 118 367 |
| Non-current assets | | | |
| Property, plant and equipment | C3-1 | 22 848 095 | 21 339 577 |
| Right-of-use assets | | 6 272 | 6 568 |
| Intangible assets | | 31 603 | 31 955 |
| Total non-current assets | | 22 885 970 | 21 378 100 |
| Total assets | | 24 358 030 | 22 496 467 |
| Current liabilities | | | |
| Payables | C4 | 580 672 | 401 306 |
| Borrowings | C5 | 8 374 | 7 691 |
| Lease liabilities | | 582 | 588 |
| Accrued employee benefits | C7 | 121 458 | 118 655 |
| Other current liabilities | | 70 975 | 81 703 |
| Total current liabilities | | 782 061 | 609 943 |
| Non-current liabilities | | | |
| Borrowings | C5 | 373 499 | 381 873 |
| Lease liabilities | | 6 084 | 6 319 |
| Total non-current liabilities | | 379 583 | 388 192 |
| Total liabilities | | 1 161 644 | 998 135 |
| Net assets | | 23 196 386 | 21 498 332 |
| Equity | | | |
| Contributed equity | C8-1 | 5 217 975 | 4 617 161 |
| Accumulated surplus | | 400 491 | 243 174 |
| Asset revaluation surplus | C8-3 | 17 577 920 | 16 637 997 |
| Total equity | | 23 196 386 | 21 498 332 |

The accompanying notes form part of these statements.

Department of Education – Statement of Assets and Liabilities by Major Departmental Service
as at 30 June 2021

| | Early Childhood Education and Care | | School Education | | Industrial Relations | | Racing | | General - not attributed | | Total | |
|--------------------------------------|---------------------------------------|----------------|-------------------|-------------------|----------------------|---------------|------------|----------|--------------------------|----------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current assets | | | | | | | | | | | | |
| Cash and cash equivalents | - | - | 655 457 | 619 428 | 24 398 | 16 710 | - | - | 562 795 | 270 859 | 1 242 650 | 906 997 |
| Receivables | 3 257 | 1 894 | 131 467 | 87 979 | 3 317 | 1 398 | 206 | - | - | - | 138 247 | 91 271 |
| Inventories | - | - | 1 961 | 2 783 | - | - | - | - | - | - | 1 961 | 2 783 |
| Other current assets | 300 | 505 | 87 008 | 114 757 | 1 891 | 2 054 | 3 | - | - | - | 89 202 | 117 316 |
| Total current assets | 3 557 | 2 399 | 875 893 | 824 947 | 29 606 | 20 162 | 209 | - | 562 795 | 270 859 | 1 472 060 | 1 118 367 |
| Non-current assets | | | | | | | | | | | | |
| Property, plant and equipment | 109 569 | 106 578 | 22 736 093 | 21 229 798 | 2 433 | 3 201 | - | - | - | - | 22 848 095 | 21 339 577 |
| Right-of-use assets | - | - | 6 272 | 6 568 | - | - | - | - | - | - | 6 272 | 6 568 |
| Intangible assets | 454 | - | 29 296 | 29 942 | 1 853 | 2 013 | - | - | - | - | 31 603 | 31 965 |
| Total non-current assets | 110 023 | 106 578 | 22 771 661 | 21 266 308 | 4 286 | 5 214 | - | - | - | - | 22 885 970 | 21 378 100 |
| Total assets | 113 580 | 108 977 | 23 647 554 | 22 091 255 | 33 892 | 25 376 | 209 | - | 562 795 | 270 859 | 24 358 030 | 22 496 467 |
| Current liabilities | | | | | | | | | | | | |
| Payables | 2 717 | 1 751 | 573 337 | 396 657 | 4 616 | 2 898 | 2 | - | - | - | 580 672 | 401 306 |
| Borrowings | - | - | 8 374 | 7 691 | - | - | - | - | - | - | 8 374 | 7 691 |
| Lease liabilities | - | - | 582 | 588 | - | - | - | - | - | - | 582 | 588 |
| Accrued employee benefits | 1 137 | 1 044 | 116 062 | 113 557 | 4 173 | 4 054 | 86 | - | - | - | 121 458 | 118 655 |
| Other current liabilities | 32 | 16 | 70 745 | 81 594 | 198 | 93 | - | - | - | - | 70 975 | 81 703 |
| Total current liabilities | 3 886 | 2 811 | 769 100 | 600 087 | 8 987 | 7 045 | 88 | - | - | - | 782 061 | 609 943 |
| Non-current liabilities | | | | | | | | | | | | |
| Borrowings | - | - | 373 499 | 381 873 | - | - | - | - | - | - | 373 499 | 381 873 |
| Lease liabilities | - | - | 6 084 | 6 319 | - | - | - | - | - | - | 6 084 | 6 319 |
| Total non-current liabilities | - | - | 379 583 | 388 192 | - | - | - | - | - | - | 379 583 | 388 192 |
| Total liabilities | 3 886 | 2 811 | 1 148 683 | 988 279 | 8 987 | 7 045 | 88 | - | - | - | 1 161 644 | 998 135 |

Department of Education
Statement of Changes in Equity
for the year ended 30 June 2021

| | Notes | Accumulated surplus | Asset revaluation surplus | Contributed equity | Total |
|--|-------|------------------------|---------------------------------|-----------------------|------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 2019 | | 290 758 | 15 848 920 | 3 942 442 | 20 082 120 |
| Retrospective changes upon adoption of AASB 15 and AASB 1058 | | (48 898) | - | - | (48 898) |
| Balance as at 1 July 2019 - restated | | 241 860 | 15 848 920 | 3 942 442 | 20 033 222 |
| Operating result | | | | | |
| Operating result from continuing operations | | 1 314 | - | - | 1 314 |
| Other comprehensive income | | | | | |
| Increase/(decrease) in asset revaluation surplus | | - | 789 077 | - | 789 077 |
| Total comprehensive income for the year | | 1 314 | 789 077 | - | 790 391 |
| Transactions with owners as owners | | | | | |
| - Appropriated equity injections | C8-2 | - | - | 674 719 | 674 719 |
| Net transactions with owners as owners | | - | - | 674 719 | 674 719 |
| Balance as at 30 June 2020 | | 243 174 | 16 637 997 | 4 617 161 | 21 498 332 |
| Balance as at 1 July 2020 | | 243 174 | 16 637 997 | 4 617 161 | 21 498 332 |
| Operating result | | | | | |
| Operating result from continuing operations | | 157 317 | - | - | 157 317 |
| Other comprehensive income | | | | | |
| Increase/(decrease) in asset revaluation surplus | | - | 939 923 | - | 939 923 |
| Total comprehensive income for the year | | 157 317 | 939 923 | - | 1 097 240 |
| Transactions with owners as owners | | | | | |
| - Appropriated equity injections | C8-2 | - | - | 600 814 | 600 814 |
| Net transactions with owners as owners | | - | - | 600 814 | 600 814 |
| Balance as at 30 June 2021 | | 400 491 | 17 577 920 | 5 217 975 | 23 196 386 |

The accompanying notes form part of these statements.

Department of Education
Statement of Cash Flows
for the year ended 30 June 2021

| | 2021 | 2020 |
|---|---------------------|--------------------|
| Note | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Inflows:</i> | | |
| Service appropriation receipts | 9 593 602 | 9 402 206 |
| User charges and fees | 347 220 | 423 055 |
| Grants and contributions | 187 359 | 180 938 |
| Interest receipts | 4 803 | 9 188 |
| GST input tax credits from ATO | 269 361 | 278 472 |
| GST collected from customers | 19 548 | 17 570 |
| Other | 68 362 | 40 086 |
| <i>Outflows:</i> | | |
| Employee expenses | (7 726 788) | (7 756 245) |
| Supplies and services | (1 208 199) | (1 516 505) |
| Grants and subsidies | (293 285) | (311 622) |
| Finance/borrowing costs | (19 785) | (22 008) |
| GST paid to suppliers | (270 087) | (278 601) |
| GST remitted to ATO | (18 466) | (18 008) |
| Other | (69 448) | (68 967) |
| Net cash provided by operating activities | CF-1 884 197 | 379 559 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| <i>Inflows:</i> | | |
| Sales of property, plant and equipment | 801 | 612 |
| <i>Outflows:</i> | | |
| Payments for property, plant and equipment | (1 141 680) | (1 165 631) |
| Net cash used in investing activities | (1 140 879) | (1 165 019) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| <i>Inflows:</i> | | |
| Proceeds from borrowings | - | - |
| Equity injections | 600 814 | 674 719 |
| <i>Outflows:</i> | | |
| Repayments of borrowings | (7 691) | (7 121) |
| Lease payments | (788) | (651) |
| Net cash provided by financing activities | CF-2 592 335 | 666 947 |
| Net increase/(decrease) in cash and cash equivalents | 335 653 | (118 513) |
| Cash and cash equivalents - opening balance | 906 997 | 1 025 510 |
| Cash and cash equivalents - closing balance | C1 1 242 650 | 906 997 |

The accompanying notes form part of these statements.

Department of Education
Statement of Cash Flows
for the year ended 30 June 2021

NOTES TO THE STATEMENT OF CASH FLOWS

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

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Operating surplus/(deficit) | 157 317 | 1 314 |
| <i>Non-cash items included in operating result:</i> | | |
| Depreciation and amortisation expense | 607 956 | 534 704 |
| Loss on disposal of property, plant and equipment | 1 062 | 6 694 |
| Donated assets received | (20 878) | (17 399) |
| Changes in accounting policies | - | (43 000) |
| Bad debts and impairment losses/(gains) | (14 674) | 7 312 |
| <i>Change in assets and liabilities:</i> | | |
| (Increase)/decrease in GST input tax credits receivable | 342 | (567) |
| (Increase)/decrease in net operating receivables | (47 318) | 37 073 |
| (Increase)/decrease in inventories | 822 | (270) |
| (Increase)/decrease in other current assets | 28 114 | (84 890) |
| Increase/(decrease) in other current liabilities | (10 728) | 42 122 |
| Increase/(decrease) in GST payable | 14 | 1 |
| Increase/(decrease) in payables | 179 365 | 22 270 |
| Increase/(decrease) in accrued employee benefits | 2 803 | (125 805) |
| Net cash provided by operating activities | 884 197 | 379 559 |

CF-2 Changes in liabilities arising from financing activities

| | I ---- Non-cash changes ---- I | | | I ---- Cash flows ---- I | | |
|-------------------|-------------------------------------|-------------------------------------|--------------------------------|----------------------------|------------------------------|-----------------------------------|
| | Changes in accounting policies / | | | | | |
| | Closing balance 2019 \$'000 | prior year adjustments \$'000 | Other adjustments \$'000 | Cash received \$'000 | Cash repayments \$'000 | Closing balance 2020 \$'000 |
| Leases | 396 685 | (396 685) | - | - | - | - |
| Borrowings | - | 396 685 | - | - | (7 121) | 389 564 |
| Lease liabilities | - | 7 086 | 472 | - | (651) | 6 907 |
| Total | 396 685 | 7 086 | 472 | - | (7 772) | 396 471 |

| | Closing balance 2020 \$'000 | Transfers (to)/from other Queensland Government Entities \$'000 | Other adjustments \$'000 | Cash received \$'000 | Cash repayments \$'000 | Closing balance 2021 \$'000 |
|-------------------|-----------------------------------|--|--------------------------------|----------------------------|------------------------------|-----------------------------------|
| Borrowings | 389 564 | - | - | - | (7 691) | 381 873 |
| Lease liabilities | 6 907 | - | 547 | - | (788) | 6 666 |
| Total | 396 471 | - | 547 | - | (8 479) | 388 539 |

Further details are provided in Note C5.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

SECTION 1
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

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

Education House
30 Mary Street
Brisbane QLD 4000

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The department has prepared these general purpose financial statements:

- In compliance with s.38 of the *Financial and Performance Management Standard 2019*
- In compliance with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020
- In accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities
- On an accrual basis.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note G3.

A1-3 PRESENTATION

Currency and rounding

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

Comparatives

Comparative information reflects the audited 2019-20 financial statements.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

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

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

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

A1-5 BASIS OF MEASUREMENT

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

- Land, buildings, heritage building assets which are measured at fair value
- Inventories which are measured at the lower of cost and net realisable value.

A1-6 THE REPORTING ENTITY

These financial statements cover the Department of Education and include all income, expenses, assets, liabilities and equity of the department as an individual entity.

There have been no material changes in the reporting entity during 2020-21, and details of any transferred assets, liabilities, equity and appropriation revenue, including those associated with machinery-of-government changes that occurred on 1 December 2020, are detailed in Note A3 (transfer of Racing from the Department of State Development, Infrastructure, Local Government and Planning [the former Department of Local Government, Racing and Multicultural Affairs]).

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-7 FINANCIAL IMPACTS FROM COVID-19 PANDEMIC

There have been no material financial impacts arising from COVID-19 on the department's financial statements. However, there have been minor impacts in the following areas:

- Some reductions in revenues for full fee paying overseas students, compared to pre-COVID levels and waivers of rent charged by schools to organisations such as outside school hours care providers
- There also have been reductions in travel costs which have been offset by additional costs in areas such as cleaning and information communication and technology costs
- Financial guarantees disclosed in note D2 Contingencies have been assessed and management does not expect that the guarantees will be called upon within the terms of the loans
- The department's land holdings are measured at fair value with reference to market prices. The State Valuation Service have advised, based on currently available information, that there is in general no material change observable in the land asset values provided. An exception relates to inner city land holdings which have been affected due to low sales volumes and uncertainty in the market with developers hesitant to commit to developing high density sites, which has resulted in a fall in value for these particular land holdings.

A2 DEPARTMENTAL OBJECTIVES

The Department of Education is building Queensland's future by giving all children a great start, engaging young people in learning and creating safe, fair and productive workplaces and communities.

This contributes to the Queensland Government's objectives for the community *Our Future State: Advancing Queensland's Priorities* to:

- Create jobs in a strong economy - supporting young Queenslanders to engage in education, training or work, and funding racing industry activities
- Give all our children a great start - developing and implementing a whole-of-government Early Years Plan to support Queensland children's early learning and development
- Keep Queenslanders healthy - enhancing student wellbeing by promoting resilience and educating students about respectful relationships
- Keep communities safe - continuing to meet the diverse needs of Queensland workplaces and communities through legislative compliance, enforcement, education and engagement activities across the state.

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

The major services delivered by the department are as follows:

Early childhood education and care

Engaging children in quality early years programs that support learning and development and making successful transitions to school.

School education

Preparing Queensland students for their future in the knowledge-based economy and as valuable contributors to the global community.

Office of Industrial Relations

Responsibility for regulatory frameworks, policy advice and compliance activities for workplace safety, electrical safety, industrial relations and workers' compensation to make Queensland work and workplaces safer, fairer and more productive.

Racing

Administer the *Racing Act 2002* and manage programs that support a viable, prosperous racing industry in Queensland.

The department's material financial statement balances reflect our large school land and buildings portfolio across over 1,250 schools and the salaries of our school, regional and central office staff. Supplies and services are dominated by curriculum resources, school utilities costs, and the maintenance and upkeep of our large asset base, including operational contract costs.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

A3 MACHINERY-OF-GOVERNMENT CHANGES

Transfers in – Controlled activities

- Details of transfer: Resources Safety and Health Serious Prosecutions (RSHSP) unit transferred from the Department of Natural Resources, Mines and Energy to the Office of Industrial Relations (OIR)
- Basis of transfer: Public Service Departmental Arrangements Notice (No.2) dated 19 June 2020
- Date of transfer: 1 July 2020

Five unbudgeted full time equivalent (FTE) staff transferred to the Work Place Health and Safety Prosecutors Office within OIR. A Service Level Arrangement has been established between Resources Safety and Health Queensland and OIR to recover costs for the 5 FTE's and any supplies and services incurred to operate the RSHSP unit.

- Details of transfer: Racing from the Department of State Development, Infrastructure, Local Government and Planning (the former Department of Local Government, Racing and Multicultural Affairs)
- Basis of transfer: Public Service Departmental Arrangements Notice (No.4) dated 12 November 2020
- Date of transfer: 1 December 2020

There were no assets and liabilities transferred as a result of this change.

Budgeted appropriation revenue of \$17.445 million was reallocated from Department of Local Government, Racing and Multicultural Affairs to the Department of Education as part of the machinery-of-government changes.

Transfers in – Administered activities

- Details of transfer: Racing from the Department of State Development, Infrastructure, Local Government and Planning (the former Department of Local Government, Racing and Multicultural Affairs)
- Basis of transfer: Public Service Departmental Arrangements Notice (No.4) dated 12 November 2020
- Date of transfer: 1 December 2020

There were no assets and liabilities transferred as a result of this change.

Budgeted appropriation revenue of \$35.432 million was reallocated from Department of Local Government, Racing and Multicultural Affairs to the Department of Education as part of the machinery-of-government changes.

A4 CONTROLLED ENTITIES

The following entity is controlled by the department:

- | | |
|--------------------------|---|
| Name: | Queensland Education Leadership Institute (QELi) |
| Purpose: | QELi was established in June 2010 to provide a range of professional learning services to school leaders. |
| Structure and control: | QELi is a not-for-profit public company, limited by guarantee, jointly owned by the Minister for Education and the Department of Education. 100% membership of the company's constitution is controlled by the Minister for Education and the Director-General, Education. |
| Operation and reporting: | Given the activities of the company, no dividends or other financial returns are received by the department. There are no significant restrictions on the department's ability to access the company's assets or settle its liabilities. The assets, liabilities, revenues and expenses of this entity have not been consolidated in these financial statements, as they would not materially affect the reported financial position and operating revenue and expenses. The company produces separate financial reports and is audited by Queensland Audit Office. |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

SECTION 2
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 APPROPRIATION REVENUE

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

| | 2021 \$'000 | 2020 \$'000 |
|---|------------------|------------------|
| Budgeted appropriation revenue | 9 621 435 | 9 325 328 |
| Treasurer's Advance | - | 2 000 |
| Transfers from/to other headings (variation in headings) | (27 833) | 49 342 |
| Unforeseen expenditure | - | 25 536 |
| Total appropriation receipts (cash) | 9 593 602 | 9 402 206 |
| Less: Opening balance of appropriation revenue receivable | - | (1 811) |
| Plus: Effect of adoption of new accounting standards | - | 1 811 |
| Plus: Opening balance of deferred appropriation payable to Consolidated Fund | 24 898 | 39 071 |
| Less : Closing balance of deferred appropriation payable to Consolidated Fund | (136 068) | (24 898) |
| Appropriation revenue recognised in statement of comprehensive income | 9 482 432 | 9 416 379 |

Accounting policy – Appropriation revenue

Appropriations provided under the *Appropriation Act 2021* are recognised as revenue when received under AASB 1058 *Income of Not-for-Profit Entities*. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation payable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Capital appropriations are recognised as adjustments to equity, refer to Note C8-2.

B1-2 USER CHARGES AND FEES

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Student fees | 57 159 | 73 529 |
| General fees | 63 545 | 65 684 |
| Student Resource Scheme fees | 92 323 | 91 823 |
| Excursion fees | 70 051 | 50 782 |
| Other fees and commissions | 264 | 573 |
| Property income | 23 643 | 26 289 |
| Sales revenue | 67 699 | 60 066 |
| Workers' Compensation Self-insurer levies | 10 554 | 10 237 |
| Electrical Licensing Registration fees | 5 917 | 6 473 |
| Service delivery | 8 496 | 8 236 |
| Total | 399 651 | 393 692 |

Accounting policy – User charges and fees

The department recognises user charges and fees when delivery of the goods or services in full or part has occurred, in accordance with AASB 15 *Revenue from Contracts with Customers*. User charges outside the scope of AASB 15 are recognised in accordance with the requirements of the applicable accounting standard.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

B1 REVENUE (continued)

B1-2 USER CHARGES AND FEES (continued)

Student fees include international student tuition fees, homestay fees and dependant program fees which come within the scope of AASB 15. A contractual liability is initially recognised upon receipt of funds with revenue being recognised over time as the performance obligations are met and students receive the services.

General fees include the provision of a wide variety of goods and services including hire of facilities, school sports revenue, rural remote & international fees and other miscellaneous items. Most of this revenue comes within the scope of AASB 15 with the majority of revenue being recognised at the point in time the goods or services are delivered.

Student Resource Scheme fees are invoiced to parents at the beginning of each school (calendar) year relating to bulk provisioning and/or hire of textbooks, resources, consumables and materials, which come within the scope of AASB 15. A contract liability is raised for the unearned portion of the income with revenue subsequently recognised over time as the performance obligations are met and the resources are provided to students.

Excursion fees relate to charges for excursions, field trips and camps, which come within the scope of AASB 15 and are recognised at the point in time the revenue is received which approximates the delivery of the services.

Sales revenue relates to revenue from tuckshops, uniform shops and other miscellaneous goods and services provided to students, which come within the scope of AASB 15 and are recognised at the point in time that the goods or services are provided.

B1-3 GRANTS AND CONTRIBUTIONS

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Contributions from WorkCover | 110 040 | 102 927 |
| Contributions from external parties | 42 477 | 42 613 |
| Grants from the Australian Government | 11 610 | 11 068 |
| Grants from other State Government departments | 3 970 | 3 849 |
| Special purpose capital grants | 5 896 | 5 885 |
| Goods and services received below fair value | 1 812 | 1 803 |
| Donations - cash | 11 821 | 18 837 |
| Donations - other assets ⁽¹⁾ | 20 878 | 11 514 |
| Total | 208 504 | 198 496 |

(1) Donated physical assets are recognised at their fair value.

Accounting policy – Grants and contributions

Grants, contributions and donations represent transactions where the consideration paid by the department to acquire an asset (including cash) is significantly less than the fair value of the asset, principally to enable the department to further its objectives. Generally these transactions are accounted for under AASB 1058 *Income for Not-for-Profit Entities* with revenue recognised upon receipt of the asset.

Contributions from WorkCover include the Workplace Health & Safety Grant and the Workers' Compensation Regulator Grant. These grants are enabled under s.481A of the *Workers' Compensation and Rehabilitation Act 2003* at the direction of the Minister. They represent non-contractual income arising from a statutory requirement which is recognised as income upon receipt under AASB 1058.

Contributions from external parties include Electrical Safety Contributions levied under s.201 of the *Electrical Safety Act 2002*, which represents non-contractual income arising from a statutory requirement. The contributions are recognised as income upon receipt under AASB 1058. Also included are contributions from community organisations (such as Parents and Citizens' Associations). These contributions are voluntary and do not result in a material benefit or advantage to the contributor. They are therefore recognised as income upon receipt under AASB 1058 as the consideration received represents an asset provided to the department for significantly less than fair value to enable the department to further its objectives.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

| | 2021 \$'000 | 2020 \$'000 |
|--|------------------|------------------|
| Employee benefits | | |
| Teachers' salaries and allowances | 4 608 860 | 4 527 086 |
| Public servants' and other salaries and allowances * | 835 940 | 889 187 |
| Teacher aides' salaries | 568 752 | 566 761 |
| Cleaners' salaries and allowances | 238 931 | 219 723 |
| Janitors/groundstaff salaries and allowances | 66 581 | 64 937 |
| Employer superannuation contributions | 804 950 | 796 563 |
| Annual leave levy/expense | 239 335 | 231 736 |
| Long service leave levy/expense | 153 770 | 150 259 |
| Other employee benefits | 4 603 | 878 |
| Employee related expenses | | |
| Fringe benefits tax | 2 113 | 2 906 |
| Workers' compensation premium | 83 565 | 74 223 |
| Staff transfer costs | 17 470 | 14 784 |
| Staff rental accommodation | 34 341 | 31 999 |
| Staff training | 32 482 | 32 624 |
| Total | 7 691 693 | 7 603 666 |

* In 2019-20, this category included \$86.845 million for all employee groups (Teachers, Public Servants, Teacher aides, Cleaners and Janitors/groundstaff) who received \$1,250 payable as an one-off, pro-rata amount for reaching an in-principle agreement to the current DoE certified enterprise bargaining agreements, for 69,476 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 (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

| | 2021 No. | 2020 No. |
|--------------------------------|-------------|-------------|
| Full-Time Equivalent Employees | 75 297 | 73 971 |

Accounting policy

Wages and salaries

Wages and salaries expenses are recognised in the reporting period in which the employees rendered the related service.

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

Sick leave

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

Annual leave and long service leave

The entitlement for annual leave includes a component for accrued leave loading for teaching staff working at schools, but does not include recreation leave, which is not an entitlement under their award.

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

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Superannuation

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

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

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

Workers' compensation premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Key management personnel and remuneration disclosures are detailed in Note G1.

B2-2 SUPPLIES AND SERVICES

| | 2021 | 2020 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Building maintenance | 296 778 | 264 491 |
| Utilities | 201 264 | 209 008 |
| Equipment and building refurbishment | 272 248 | 376 505 |
| Contractors and consultants | 55 807 | 79 313 |
| Contractors and consultants - in-school costs | 67 964 | 62 404 |
| Materials and running costs | 125 660 | 186 073 |
| Student course supplies and excursion admission costs | 154 786 | 157 597 |
| Payments to shared service provider/inter-agency services | 1 954 | 2 140 |
| Computer costs | 95 207 | 87 786 |
| Office accommodation | 40 097 | 40 537 |
| Travel | 9 445 | 12 745 |
| Travel - school and student | 14 067 | 24 543 |
| Lease expenses | 1 893 | 1 845 |
| Total | 1 337 170 | 1 504 987 |

Accounting policy – Distinction between grants and procurement

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

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

B2 EXPENSES (continued)

B2-3 GRANTS AND SUBSIDIES

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Recurrent | | |
| Early childhood education and care grants and subsidies | 221 493 | 218 377 |
| Other grants and allowances | 69 646 | 90 442 |
| Capital | | |
| Grants to external organisations | 2 546 | - |
| Total | 293 685 | 308 819 |

B2-4 OTHER EXPENSES

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Insurance premiums - QGIF | 25 853 | 25 585 |
| External audit fees ⁽¹⁾ | 706 | 624 |
| Loss on disposal of property, plant and equipment | 1 062 | 6 694 |
| Special payments: | | |
| Ex-gratia payments - general ⁽²⁾ | 30 | 53 |
| Court awarded damages | 345 | 850 |
| Penalty interest payment | 1 | 1 |
| Payments to other government departments ⁽³⁾ | 40 863 | 40 170 |
| Other | 1 664 | 1 683 |
| Total | 70 524 | 75 660 |

(1) Total external audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial year are \$0.727 million (2019-20: \$0.727 million). There are no non-audit services included in this amount.

(2) Special payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. The department made one special payment during 2020-21 (that was in excess of \$5,000) in order to cover costs of repairs for damage to a property that is adjacent to departmental school's grounds.

(3) Payments to other government departments relate to school transport arrangements with the Department of Transport and Main Roads.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

| | 2021 \$'000 | 2020 \$'000 |
|--------------|------------------|----------------|
| Cash on hand | 132 | 118 |
| Cash at bank | 1 242 518 | 906 879 |
| Total | 1 242 650 | 906 997 |

Accounting policy – Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques receipted but not banked at 30 June and cash in school and central office bank accounts which are used in the day-to-day cash management of the department.

Departmental bank accounts (excluding school bank accounts) are grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation and do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

C2 RECEIVABLES

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Current | | |
| Trade receivables | 77 469 | 68 077 |
| Less: Allowance for impairment of trade receivables | (17 683) | (36 150) |
| | 59 786 | 31 927 |
| GST receivable | 27 883 | 28 225 |
| GST payable | (14) | - |
| | 27 869 | 28 225 |
| Employee leave reimbursements | 49 327 | 30 526 |
| Other | 1 256 | 587 |
| Loans and advances | 9 | 6 |
| Total | 138 247 | 91 271 |

Disclosure – Movement in loss allowance for trade receivables

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Balance at 1 July | 36 150 | 34 138 |
| Expected credit losses expense/(gains) | (14 697) | 7 291 |
| Bad debts written-off | (3 770) | (5 279) |
| Balance at 30 June | 17 683 | 36 150 |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C2 RECEIVABLES (continued)

Accounting policy – Receivables

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

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

Employee leave reimbursements relate to the Queensland Government's Annual Leave and Long Service Leave Central Schemes which are administered by QSuper on behalf of the state. Refer to Note B2-1.

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of these assets inclusive of any allowance for impairment. No collateral is held as security and no credit enhancements related to receivables are held by the department.

The department uses a provision matrix to measure the expected credit losses on trade and other debtors. The department has determined that parents of students are the only material grouping for measuring expected credit losses.

The calculations reflect historical credit losses. The historical default rates are then adjusted by reasonable and forward-looking information on expected changes in macroeconomic indicators that affect the future recovery of those receivables. The department uses the change in the unemployment rate for Queensland as the most relevant forward-looking indicator for receivables.

Where the department has receivables from Queensland Government agencies or the Australian Government, no loss allowance is recorded for these receivables on the basis of materiality. Refer to Note D1-2 for the department's credit risk management policies.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

| | at Fair Value | | Heritage and cultural 2021 | at Cost | | Total 2021 |
|--|------------------|-------------------|----------------------------------|--------------------------------|-----------------------------|-------------------|
| | Land | Buildings | | Plant and equipment 2021 | Work in progress 2021 | |
| Property, plant and equipment reconciliation 2021 | 2021 \$'000 | 2021 \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross | 5 812 942 | 25 256 613 | 71 223 | 551 576 | 744 393 | 32 436 747 |
| Less: Accumulated depreciation | - | (9 209 980) | (45 707) | (332 965) | - | (9 588 652) |
| Carrying amount at 30 June 2021 | 5 812 942 | 16 046 633 | 25 516 | 218 611 | 744 393 | 22 848 095 |
| <i>Represented by movements in carrying amount:</i> | | | | | | |
| Carrying amount at 1 July 2020 | 5 779 527 | 14 684 558 | 22 671 | 218 827 | 633 994 | 21 339 577 |
| Acquisitions (including upgrades) | 41 621 | 679 418 | 179 | 51 735 | 383 696 | 1 156 649 |
| Donations received | - | 14 072 | - | 503 | - | 14 575 |
| Disposals | (117) | (128) | - | (1 610) | - | (1 855) |
| Donations made | - | - | - | (7) | - | (7) |
| Transfers between asset classes | 17 074 | 247 584 | 722 | 7 917 | (273 297) | - |
| Net revaluation increments/(decrements) in asset revaluation surplus | (25 163) | 961 982 | 3 104 | - | - | 939 923 |
| Depreciation | - | (540 853) | (1 160) | (58 754) | - | (600 767) |
| Carrying amount at 30 June 2021 | 5 812 942 | 16 046 633 | 25 516 | 218 611 | 744 393 | 22 848 095 |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

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

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

| | at Fair Value | | | | at Cost | | |
|--|------------------|-------------------|-----------------------|---------------|---------------------|------------------|-------------------|
| | Land | Buildings | Heritage and cultural | Leased assets | Plant and equipment | Work in progress | Total |
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property, plant and equipment reconciliation 2020 | | | | | | | |
| Gross | 5 779 527 | 22 990 268 | 65 475 | - | 658 856 | 633 994 | 30 128 120 |
| Less: Accumulated depreciation | - | (8 305 710) | (42 804) | - | (440 029) | - | (8 788 543) |
| Carrying amount at 30 June 2020 | 5 779 527 | 14 684 558 | 22 671 | - | 218 827 | 633 994 | 21 339 577 |
| <i>Represented by movements in carrying amount:</i> | | | | | | | |
| Carrying amount at 1 July 2019 | 5 780 277 | 12 629 095 | 19 075 | 681 928 | 223 114 | 585 403 | 19 918 892 |
| Acquisitions (including upgrades) | 11 189 | 693 796 | 739 | - | 52 857 | 395 089 | 1 153 670 |
| Donations received | - | 10 699 | - | - | 491 | - | 11 190 |
| Disposals | (1 892) | (3 177) | - | - | (2 234) | - | (7 303) |
| Donations made | - | - | - | - | (3) | - | (3) |
| Transfers between asset classes | 13 787 | 1 012 538 | - | (681 928) | 2 101 | (346 498) | - |
| Net revaluation increments/(decrements) in asset revaluation surplus | (23 834) | 808 917 | 3 994 | - | - | - | 789 077 |
| Depreciation | - | (467 310) | (1 137) | - | (57 499) | - | (525 946) |
| Carrying amount at 30 June 2020 | 5 779 527 | 14 684 558 | 22 671 | - | 218 827 | 633 994 | 21 339 577 |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

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

C3-2 RECOGNITION AND ACQUISITION

Accounting policy

Basis of capitalisation and recognition thresholds

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised as Property, Plant and Equipment in the following classes:

| | |
|---|----------|
| Buildings | \$10 000 |
| Heritage buildings | \$10 000 |
| Land | \$1 |
| Heritage and cultural (cultural works of art) | \$5 000 |
| 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 the department.

Cost of acquisition

Property, plant and equipment are initially recorded at cost plus any other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees.

Assets received free of charge from another Queensland Government department (whether as a result of a machinery-of-government change or other involuntary transfer), are recognised at fair value, being the gross carrying amount in the books of the other entity immediately prior to the transfer together with any accumulated depreciation.

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

C3-3 MEASUREMENT

Accounting policy

Fair Value measurement

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

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

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

Valuation of property, plant and equipment

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

Land, buildings (including residential buildings and land improvements such as sports facilities), and heritage building assets are measured at fair value, which are reviewed each year to ensure they are materially correct.

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

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

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

C3-3 MEASUREMENT (continued)

Accounting policy (continued)

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

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

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

Use of specific appraisals

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

For the purposes of revaluation, the department has divided the state into 25 districts and each year's selection is chosen to ensure that major urban, provincial and rural characteristics are included. Districts independently valued in each year are as follows:

| | |
|---|--|
| <p>Last valued in 2019-20 and next scheduled for 2023-24</p> <p>Torres Strait and Cape Roma Mackay-Whitsunday Moreton West South East Brisbane Sunshine Coast South Wide Bay South</p> | <p>Valued in 2020-21 and next scheduled for 2024-25</p> <p>Tablelands-Johnstone Mount Isa The Downs Brisbane North Logan-Albert Beaudesert Central Queensland</p> |
| <p>2021-22</p> <p>Townsville Warwick Moreton East Brisbane South Sunshine Coast North Wide Bay North</p> | <p>2022-23</p> <p>Cairns Coastal Central West Toowoomba Brisbane Central and West Gold Coast Wide Bay West</p> |

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

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of these indices results in a valid estimation of the asset's fair value at reporting date. Land price indices are derived from market information available to the State Valuation Service (SVS). The Building price index is provided by SVS from Gray Robinson & Cottrell (GRC) Quantity Surveyors and is based on recent tenders for specialised buildings. This is considered to be the most appropriate index for application to the relevant assets. The results of interim indexations are compared to the results of the independent revaluation performed in the year to ensure the results are reasonable. This annual process allows management to assess and confirm the relevance and suitability of indices provided by SVS based on the asset portfolio of the department.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

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

C3-3 MEASUREMENT (continued)

Accounting policy (continued)

Land valuations

| | |
|---|--|
| <i>Effective Date of Last Specific Appraisal:</i> | 30 June 2021 by the State Valuation Service |
| <i>Valuation Approach:</i> | Market-based assessment. Fair Value Hierarchy Level 2. |
| <i>Inputs:</i> | The fair value of land involved physical inspection and reference to publicly available data on recent sales of similar land in nearby localities in accordance with industry standards. |
| <i>Current Year Valuation Activity:</i> | <p>Approximately one quarter of the department's land was comprehensively valued. In determining the values, adjustments were made to the sales data to take into consideration the location of the department's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land.</p> <p>Desktop valuations were also performed by the State Valuation Service on 14 sites that have exhibited volatile price movements over the last three years.</p> <p>The remaining three quarters of the land assets were indexed to ensure that values reflect fair value as at the reporting date. This involved the selection of a sample of 182 properties from the 17 districts across the state that were not independently valued in 2020-21. The State Valuation Service then provided indices for each of these sites based on recent market transactions for local land sales. The department then uses the sampled indices to create a weighted average for each district. These indices decreased the value of land in these districts by 0.01%.</p> |

Buildings valuations

| | |
|---|--|
| <i>Effective Date of Last Specific Appraisal:</i> | 30 June 2021 by the State Valuation Service |
| <i>Valuation Approach:</i> | All purpose-built facilities are valued at current replacement cost, as there is no active market for these facilities. Fair Value Hierarchy Level 3. |
| <i>Inputs:</i> | The State Valuation Service conduct physical inspections and apply construction rates from the State School Costing Manual provided by GRC Quantity Surveyors. |
| <i>Current Year Valuation Activity:</i> | <p>Approximately one quarter of the department's buildings were independently valued. The current replacement cost was based on standard school buildings and specialised fit-out constructed by the department, adjusted for more contemporary design/construction approaches. Significant judgement was also used to assess the remaining service potential of these facilities, including the current physical condition of the facility.</p> <p>The remaining three quarters were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2020 to June 2021) was a 4.49% increase. Because of the department's continuing investment in general and specific priority maintenance, the condition of the assets are not expected to deteriorate significantly between comprehensive valuations.</p> |

Heritage buildings assets valuations

| | |
|---|--|
| <i>Effective Date of Last Specific Appraisal:</i> | 30 June 2021 by the State Valuation Service |
| <i>Valuation Approach:</i> | As there is no active market for these assets, fair value was determined using the current replacement cost approach. Fair Value Hierarchy Level 3. |
| <i>Inputs:</i> | Estimating the cost to reproduce the items with features and materials of the original items, with substantial adjustments made to take into consideration the items' heritage restrictions and characteristics. |
| <i>Current Year Valuation Activity:</i> | Approximately one quarter of the department's heritage and cultural assets were independently valued. The remaining three quarters were indexed using the Building Price Index provided by GRC Quantity Surveyors. |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

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

C3-4 DEPRECIATION EXPENSE

Accounting policy

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

The residual (or scrap) value of depreciable assets is assumed to be nil.

Complex assets comprise separately identifiable components of significant value that require regular replacement during the life of the complex asset at different times to other components. The department's complex assets are special purpose school buildings. When the change in depreciation expense from separately identifying significant components is material to the class of assets to which the asset relates, the significant components are separately identified and depreciated. The three components of the department's complex buildings are: a) Fabric; b) Fit-out; and c) Plant. The useful lives for these assets are disclosed in the table below.

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

Useful lives for the assets included in the revaluation are amended progressively as the assets are inspected by the valuers.

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.

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

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

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

Depreciation Rates

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

Current useful life (years) reported in financial statements

| Class | Current useful life (years) |
|---|-----------------------------|
| Buildings - Fabric | 60 - 80 |
| Buildings - Fit-out | 25 |
| Buildings - Plant | 25 |
| Buildings - Demountable buildings, sheds and covered areas | 40 |
| Buildings - Land improvements (including sporting facilities) | 15 - 80 |
| Heritage and Cultural Assets (Buildings) | 80 |
| Heritage and Cultural Assets (Cultural works of art) | 50 - 100 |
| Plant and equipment - Computer equipment | 5 |
| Plant and equipment - Office equipment | 5 - 20 |
| Plant and equipment - Musical instruments and craft equipment | 20 |
| Plant and equipment - Plant and machinery | 5 - 25 |
| Plant and equipment - Sporting equipment | 10 |

C3-5 IMPAIRMENT

Accounting policy

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount (higher of the asset's fair value less costs to sell and current replacement cost).

An impairment loss is recognised immediately in the Statement of Comprehensive Income, except for land and buildings where any impairment loss would be offset against the asset revaluation reserve surplus of the relevant class.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C4 PAYABLES

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Current | | |
| Trade creditors | 184 048 | 73 426 |
| Capital creditors | 257 987 | 243 018 |
| FBT and other taxes | 671 | 58 469 |
| Grants and subsidies payable | 1 670 | 1 267 |
| Deferred appropriation payable to Consolidated Fund | 136 068 | 24 898 |
| Other | 228 | 228 |
| Total | 580 672 | 401 306 |

Accounting policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Capital creditors relates to capital works billed progressively based on the extent of work performed. Amounts owing are unsecured.

C5 BORROWINGS

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Current | | |
| Finance liability - private provision of public infrastructure | 8 374 | 7 691 |
| Total | 8 374 | 7 691 |
| Non-current | | |
| Finance liability - private provision of public infrastructure | 373 499 | 381 873 |
| Total | 373 499 | 381 873 |

Accounting policy

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

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

C5-1 FINANCE LIABILITY AND COMMITMENTS

Finance liability terms and conditions

The finance liability relates to the Private Provision of Public Infrastructure (PPPI) agreement projects - South-East Queensland School - Aspire and Queensland Schools - Plenary. As part of the department's review of leasing arrangements under AASB 16 Leases it has been concluded that these arrangements are not leases, but more in the nature of financing to construct and maintain buildings. Refer to Note C6 for details.

Interest rates

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

The implicit interest rate for the finance liabilities ranges from 2.87% to 15.99% (2019-20: 2.87% to 15.99%).

C5-2 DISCLOSURE ABOUT SENSITIVITY TO INTEREST RATE MOVEMENTS

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 0.25% from the year-end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase/(decrease) of \$2.541 million (2019-20 \$1.693 million).

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C5 BORROWINGS (continued)

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

| | 2021 | | 2020 | |
|--------------------------|--------------------|----------------|--------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Finance liability – PPPI | 381 873 | 314 649 | 389 564 | 343 713 |
| Total | 381 873 | 314 649 | 389 564 | 343 713 |

The fair value of finance liabilities is calculated using discounted cash flow analysis and using the Reserve Bank Commonwealth Government 10 year bond rate.

C6 PUBLIC PRIVATE PARTNERSHIPS

C6-1 OTHER PUBLIC PRIVATE PARTNERSHIPS OUTSIDE AASB 1059

Some Public Private Partnerships (PPPs) are not service concession arrangements within the scope of AASB 1059 *Service Concession Arrangements: Grantors*. Other accounting standards and policies apply to these arrangements, and are described for each arrangement below.

PPPs outside AASB 1059

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Assets | | |
| Buildings (Note C3) | | |
| Queensland Schools – Plenary | 452 327 | 436 505 |
| South East Queensland Schools – Aspire | 249 388 | 242 131 |
| Liabilities | | |
| Financial Liabilities (Note C5) | | |
| Queensland Schools – Plenary | 184 426 | 187 352 |
| South East Queensland Schools – Aspire | 197 447 | 202 212 |

The department entered two PPPI agreement projects - South-East Queensland Schools – Aspire and Queensland Schools - Plenary. The two PPPI's within the table following are social infrastructure arrangements whereby the department pays for the third party use of the infrastructure asset through regular service payments to respective partners over the life of contract.

The PPPI operators only provide maintenance activities that do not contribute significantly to the public services provided by the asset and therefore are out of scope of AASB 1059.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C6 PUBLIC PRIVATE PARTNERSHIPS (continued)

C6-1 OTHER PUBLIC PRIVATE PARTNERSHIPS OUTSIDE AASB 1059 (continued)

The land on which the facility/schools are constructed is owned and recognised as an asset by the department. The buildings are controlled by the department and are recognised as property, plant and equipment, and details on depreciation are included in Note C3.

The department recognises the future repayments of the construction finance as a financial liability. The contractual agreements provide details about the monthly service payments which comprise the following components:

- capital to effect the systematic write down of the liability over the term of the agreements
- financing which will be recognised as an expense when incurred
- other such as facilities management, maintenance, and insurance will be expensed when incurred.

| PPP Arrangement | (a) South-East Queensland Schools - Aspire – Public Private Partnership | (b) Queensland Schools – Plenary – Public Private Partnership |
|-----------------------|---|--|
| Entered Into Contract | April 2009 | December 2013 |
| Partner | Aspire Schools Pty Ltd | Plenary Schools Pty Ltd |
| Agreement Type | Design, construct, maintain, and partly finance 7 schools. | Design, construct, maintain and partly finance 10 schools. |
| Agreement Period | 30 years | 30 years |
| Financing | Finance during the design and construction phases was provided by Commonwealth Investments Pty Ltd, Bank of Tokyo-Mitsubishi, and the National Australia Bank. Queensland Treasury Corporation will provide the remaining 70% of the project's financial requirements during the operating phase from January 2010 to December 2039. | Finance during the design and construction phases was provided by Investec, National Australia Bank, Plenary Group, and the State of Queensland. The department paid a series of co-contributions (\$190 million) during the construction phase of the project towards the construction costs |
| Construction Period | May 2009 – January 2014 | January 2014 – January 2019 |
| Variable Costs | Variable costs change according to the number of module units in use at the individual sites, utilities, car parking agreements, and other service payments adjustments. | Variable costs change according to the number of module units in use at the individual sites, utilities, car parking agreements, and other service payments adjustments. |
| Other | Inflows for the PPP relate to cleaning, grounds maintenance, and janitorial services. Aspire is required to use staff provided by the State. | Nil |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C6 PUBLIC PRIVATE PARTNERSHIPS (continued)

C6-2 OPERATING STATEMENT IMPACT

The operating statement impact for each material public private partnership arrangement is as follows:

| 2020-21 | Queensland Schools | South-East Queensland Schools | Total |
|---------------------------------------|-----------------------|-------------------------------------|-----------------|
| | Plenary \$'000 | Aspire \$'000 | \$'000 |
| Revenue | | | |
| Other Revenue | - | 2 640 | 2 640 |
| Expenses | | | |
| Depreciation | (9 643) | (6 233) | (15 876) |
| Interest expenses | (6 419) | (13 233) | (19 652) |
| Utilities | (554) | (405) | (959) |
| Property rates | (796) | (699) | (1 495) |
| Facility management | (8 210) | (14 873) | (23 083) |
| Insurance | (478) | (572) | (1 050) |
| Net impact on operating result | (26 100) | (33 375) | (59 475) |
| | | | |
| 2019-20 | Queensland Schools | South-East Queensland Schools | Total |
| | Plenary \$'000 | Aspire \$'000 | \$'000 |
| Revenue | | | |
| Other Revenue | - | 2 447 | 2 447 |
| Expenses | | | |
| Depreciation | (9 384) | (6 072) | (15 456) |
| Interest expenses | (7 860) | (14 003) | (21 863) |
| Utilities | (445) | (371) | (816) |
| Property rates | (847) | (646) | (1 493) |
| Facility management | (7 290) | (13 694) | (20 984) |
| Insurance | (424) | (579) | (1 003) |
| Net impact on operating result | (26 250) | (32 918) | (59 168) |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C6 PUBLIC PRIVATE PARTNERSHIPS (continued)

C6-3 ESTIMATED FUTURE CASH FLOWS

The estimated future cash flows on an undiscounted basis for the department's public private partnerships are as follows:

| | South East Queensland Schools - Aspire | | Queensland Schools Plenary | | Total | |
|--|---|-------------------|-------------------------------|-------------------|---------------------|---------------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Cash inflows | | | | | | |
| Not later than 1 year | 2 666 | 2 485 | - | - | 2 666 | 2 485 |
| Later than 1 year but not later than 5 years | 10 923 | 10 336 | - | - | 10 923 | 10 336 |
| Later than 5 years but not later than 10 years | 14 257 | 13 857 | - | - | 14 257 | 13 857 |
| Later than 10 years | 27 453 | 31 162 | - | - | 27 453 | 31 162 |
| | <u>55 299</u> | <u>57 840</u> | <u>-</u> | <u>-</u> | <u>55 299</u> | <u>57 840</u> |
| Cash outflows | | | | | | |
| Not later than 1 year | (34 375) | (34 562) | (20 350) | (19 074) | (54 725) | (53 636) |
| Later than 1 year but not later than 5 years | (145 041) | (145 936) | (84 638) | (88 273) | (229 679) | (234 209) |
| Later than 5 years but not later than 10 years | (198 180) | (204 217) | (134 575) | (161 582) | (332 755) | (365 799) |
| Later than 10 years | (325 260) | (388 914) | (376 068) | (471 755) | (701 328) | (860 669) |
| | <u>(702 856)</u> | <u>(773 629)</u> | <u>(615 631)</u> | <u>(740 684)</u> | <u>(1 318 487)</u> | <u>(1 514 313)</u> |

C7 ACCRUED EMPLOYEE BENEFITS

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------|----------------|----------------|
| Annual leave levy payable | 63 016 | 60 552 |
| Long service leave levy payable | 38 594 | 37 638 |
| Accrued salaries and wages | 18 111 | 19 008 |
| Paid parental leave | 1 299 | 1 002 |
| Other accrued employee benefits | 438 | 455 |
| Total | <u>121 458</u> | <u>118 655</u> |

Accounting policy

No provision for annual leave or long service leave is recognised in the department's financial statements as 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*.

Refer to Note B2-1 for further information on leave levies and sick leave.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

C8 EQUITY

C8-1 CONTRIBUTED EQUITY

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. The following items are recognised as contributed equity by the department during the reporting and comparative years:

- Appropriations for equity adjustments (refer Note C8-2)
- Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes (refer Note A3).

C8-2 APPROPRIATIONS RECOGNISED IN EQUITY

Reconciliation of payments from consolidated fund to equity adjustment

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Budgeted equity adjustment appropriation | 1 109 918 | 724 061 |
| Transfers from/to other headings - variation in headings | (26 800) | (49 342) |
| Lapsed equity adjustment | (482 304) | - |
| Equity adjustment recognised in Contributed Equity | 600 814 | 674 719 |

C8-3 ASSET REVALUATION SURPLUS BY ASSET CLASS

Accounting policy

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

| | Land \$'000 | Buildings \$'000 | Heritage and Cultural \$'000 | Leased Assets \$'000 | Total \$'000 |
|-------------------------------------|------------------|---------------------|------------------------------------|----------------------------|-------------------|
| Balance at 1 July 2019 | 5 841 606 | 9 890 998 | 20 030 | 96 286 | 15 848 920 |
| Revaluation increments/(decrements) | (23 834) | 808 917 | 3 994 | - | 789 077 |
| Transfers between classes | - | 96 286 | - | (96 286) | - |
| Balance at 30 June 2020 | 5 817 772 | 10 796 201 | 24 024 | - | 16 637 997 |

| | Land \$'000 | Buildings \$'000 | Heritage and Cultural \$'000 | Total \$'000 |
|-------------------------------------|------------------|---------------------|------------------------------------|-------------------|
| Balance at 1 July 2020 | 5 817 772 | 10 796 201 | 24 024 | 16 637 997 |
| Revaluation increments/(decrements) | (25 163) | 961 982 | 3 104 | 939 923 |
| Balance at 30 June 2021 | 5 792 609 | 11 758 183 | 27 128 | 17 577 920 |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

SECTION 4
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FINANCIAL RISK DISCLOSURES

D1-1 FINANCIAL INSTRUMENT CATEGORIES

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

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|------------------|----------------|
| Financial assets | | | |
| Cash and cash equivalents | C1 | 1 242 650 | 906 997 |
| Receivables | C2 | 138 247 | 91 271 |
| Total financial assets | | 1 380 897 | 998 268 |
| Financial liabilities | | | |
| Financial liabilities measured at amortised cost: | | | |
| Payables | C4 | 580 672 | 401 306 |
| Lease liabilities | | 6 666 | 6 907 |
| Borrowings | C5 | 381 873 | 389 564 |
| Total financial liabilities at amortised cost | | 969 211 | 797 777 |

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

D1-2 FINANCIAL RISK MANAGEMENT

Risk exposure

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

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

| Risk Exposure | Definition | Exposure and management |
|----------------|--|--|
| Credit Risk | The risk that the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. | The department is exposed to credit risk in respect of: <ul style="list-style-type: none"> Receivables (exposure disclosed at Note C2 and mainly relates to student and parent debt) which are managed by the use of a credit management strategy and regular monitoring of funds owed; and Financial guarantees provided to Parents and Citizens' Associations, Universities and Grammar Schools are managed on an ongoing basis (maximum exposure disclosed in Note D2). |
| Liquidity Risk | Liquidity risk refers to the department's ability to meet its obligations when they fall due. | This risk is minimal, and is managed through a combination of regular fortnightly appropriation payments, and an approved overdraft facility of \$250.0 million under Government banking arrangements to manage any cash shortfalls. |
| Market Risk | The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. | The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance liabilities (Note C5), and cash deposited in interest bearing accounts (Note C1). |

All financial risk is managed by each division under policy approved by the Executive Management Board, and established and co-ordinated by Policy Performance and Planning Branch and Finance Branch.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

D1 FINANCIAL RISK DISCLOSURES (continued)

D1-3 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

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

| | 2021 Payable in | | | Total |
|--------------------------------|-----------------|----------------|----------------|------------------|
| | <1 year | 1 - 5 years | > 5 years | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial liabilities | | | | |
| Payables | 580 672 | - | - | 580 672 |
| Lease liabilities | 708 | 1 456 | 8 165 | 10 329 |
| Finance liability - Borrowings | 37 632 | 162 473 | 601 616 | 801 721 |
| Total | 619 012 | 163 929 | 609 781 | 1 392 722 |

| | 2020 Payable in | | | Total |
|--------------------------------|-----------------|----------------|----------------|------------------|
| | <1 year | 1 - 5 years | > 5 years | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial liabilities | | | | |
| Payables | 401 306 | - | - | 401 306 |
| Lease liabilities | 760 | 1 638 | 8 390 | 10 788 |
| Finance liability - Borrowings | 39 080 | 162 619 | 642 177 | 843 876 |
| Total | 441 146 | 164 257 | 650 567 | 1 255 970 |

D2 CONTINGENCIES

Litigation in progress

At 30 June 2021, the following cases were filed in courts naming the State of Queensland acting through the Department of Education as defendant:

Litigation and other claims in progress

| | 2021 No. of cases | 2020 No. of cases |
|----------------|----------------------|----------------------|
| Supreme Court | 17 | 5 |
| District Court | 15 | 12 |
| Federal Court | 1 | 3 |
| Total | 33 | 20 |

In addition, 17 cases (2019-20: 4) were filed in commissions and tribunals naming the State of Queensland acting through the Department of Education as defendant.

The department's legal advisers and management believe that it is not possible to reliably determine the value of payouts in respect of this litigation which, in the majority of instances, represent insurable events in terms of the policy held with the Queensland Government Insurance Fund. The maximum exposure of the department under this policy is \$10 000 for each insurable event.

There are currently 156 (2019-20: 145) cases of general liability and 98 (2019-20: 74) WorkCover common law claims being managed by the department.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

D2 CONTINGENCIES (continued)

Financial guarantees and associated credit risks

The department has provided 24 (2019-20: 22) financial guarantees to Parents and Citizens' Associations (P&C), 6 (2019-20: 6) guarantees to Universities, and 8 (2019-20: 7) guarantees to grammar schools for a variety of loans. These guarantees have been provided over a period of time and have various maturity dates.

| | 2021 Remaining balance \$'000 | 2020 Remaining balance \$'000 | Enabling legislation |
|------------------------------------|--|--|--|
| Parents and Citizens' Associations | 3 101 | 2 805 | <i>Education (General Provisions) Act 2006 s.137</i> |
| Universities | 506 688 | 505 479 | <i>Australian National University Act 1991 s.44</i> |
| Grammar Schools | 140 345 | 107 899 | <i>Grammar Schools Act 2016 s.10</i> |
| | <u>650 134</u> | <u>616 183</u> | |

Key estimate and judgement: The department assesses the fair value of financial guarantees annually as at 30 June. As at 30 June 2021 no university, grammar school or P&C had defaulted on an existing loan. The impact of COVID-19 on related statutory bodies remains uncertain. As at 30 June 2021 there were no known indications of loan default, but prolonged impacts could cause individual statutory bodies to realise operating deficits with associated deteriorating liquidity. As such, the fair value of the guarantees has not been recognised in the Statement of Financial Position.

Native title claims over departmental land

There are native title claims which have the potential to impact upon properties of the department, however most departmental properties are occupied under a "reserve" tenure, validly created prior to 23 December 1996, and therefore any development undertaken in accordance with gazetted purposes should minimise the potential of native title claims.

At reporting date it is not possible to make an estimate of any probable outcome of such claims, or any financial effect. It should be noted that native title would not arise as an issue until the property has been declared surplus and attempts are made for the property to be sold or transferred. Native title would need to be addressed as part of the disposal process. The department would necessarily recognise any cost implications arising from such claims at that time.

D3 COMMITMENTS

Capital expenditure commitments

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

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Buildings | | |
| Not later than one year | 532 505 | 510 919 |
| Later than one and not later than five years | 82 352 | 27 730 |
| Later than five years | - | - |
| Total Capital expenditure commitments - Buildings | <u>614 857</u> | <u>538 649</u> |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

SECTION 5
NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

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

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

| | |
|---|--|
| <i>User charges and fees:</i> | Variance of -\$30.761 million (includes reduced international education program revenue of -\$21.632 million) which is less than reported in the original budget. This relates predominantly to the continuing impacts of international activity due to the COVID-19 pandemic. Noting there was a -\$19.269 million improvement of actual revenue earned in the prior year. |
| <i>Grants and contributions revenue:</i> | Variance of +\$22.006 million is largely due to higher capital contributions because of an increase in donations received by schools. |
| <i>Supplies and services:</i> | <p>Variance of -\$160.809 million is largely attributable to lower expenditure of student course supplies -\$100.334 million; capitalisation of school expensed assets -\$40.600 million; a reduction in student related consumables -\$21.733 million; reduced international students Homestay program expenses -\$20.305 million; lower travel and accommodation costs -\$16.875 million; lower computer consumables -\$12.082 million; reduced motor vehicle hire costs -\$11.956 million and lower expenditure on contractors -\$8.184 million. Reduced expenditure was offset by increased spending on photocopying charges +\$19.345 million; stores and stationery +\$10.523 million; administration costs +\$20.045 million; publications and subscriptions +\$18.655 million and Workplace health and safety +\$3.744 million.</p> <p>The department's reduced spending on supplies and services has assisted in meeting its contribution towards the 2020-21 savings under the Government's Savings and Debt Plan.</p> |
| <i>Depreciation and amortisation:</i> | Variance of +\$57.353 million largely reflects the impact of end of year asset revaluations and the increase in depreciable assets associated with the department's capital program. |
| <i>Increase in asset revaluation surplus:</i> | Variance of +\$287.504 million is attributable to higher comprehensive revaluation outcomes for buildings 6.38%, instead of the budgeted 3.61% increase, which is partially offset by a minor reduction in land valuations. |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

SECTION 6
WHAT WE LOOK AFTER ON BEHALF OF WHOLE-OF-GOVERNMENT AND THIRD PARTIES

F1 ADMINISTERED ACTIVITIES

The department administers, but does not control, certain activities on behalf of the Government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

The majority of administered operations relate to Commonwealth financial assistance to non-government schools paid to the state in accordance with s.23 of the *Australian Education Act 2013* for transfer to non-government schools. The most significant component of State Government funded administered operations relates to financial assistance provided to non-government schools through the Non-State Schools Recurrent Grant. The Non-State Schools Recurrent Grant is provided under s.368(1)(b) of the *Education (General Provisions) Act 2006*.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

F1-1 SCHEDULE OF ADMINISTERED INCOME AND EXPENDITURE

| | 2021 | 2021 | | 2020 |
|---|------------------|------------------|----------------|------------------|
| | | Original | Budget | |
| | | Budget | Variance | |
| Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered income | | | | |
| <u>Fees and charges</u> | | | | |
| Fees and charges | 69 155 | 57 374 | 11 781 | 66 255 |
| Other revenue | - | 285 | (285) | - |
| <u>Grants and contributions</u> | | | | |
| Recurrent | | | | |
| Specific purpose - Commonwealth | 3 176 454 | 3 067 593 | 108 861 | 3 151 549 |
| Appropriation revenue * | 4 213 673 | 4 113 628 | 100 045 | 4 069 295 |
| Total administered income | 7 459 282 | 7 238 880 | 220 402 | 7 287 099 |
| Administered expenses | | | | |
| <u>Grants and subsidies</u> | | | | |
| Recurrent | | | | |
| Commonwealth Government | | | | |
| Non-state schools | 3 176 454 | | | 3 151 549 |
| State Government | | | | |
| Non-state schools | 758 658 | | | 716 936 |
| Textbook and resource allowance | 68 308 | | | 66 149 |
| Statutory bodies (curriculum) | 109 307 | | | 34 756 |
| Capital | | | | |
| State Government | | | | |
| Non-state and other external organisations | 100 946 | | | 99 905 |
| | 4 213 673 | 4 113 625 | 100 048 | 4 069 295 |
| Supplies and services | - | 3 | (3) | 90 |
| Losses on disposal/ remeasurement of assets | - | 21 | (21) | (142) |
| Transfers of administered income to government ** | 3 245 609 | 3 125 231 | 120 378 | 3 217 856 |
| Total administered expenses | 7 459 282 | 7 238 880 | 220 402 | 7 287 099 |
| Operating surplus/(deficit) | - | - | - | - |

* This appropriation revenue is provided in cash via Queensland Treasury and funds activities/ expenses that the department administers on behalf of the Government.

** The department periodically transfers all cash collected for "Administered income" (excluding appropriation revenue) to the Queensland Government.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

F1 ADMINISTERED ACTIVITIES (continued)

F1-2 RECONCILIATION OF PAYMENTS FROM CONSOLIDATED FUND TO ADMINISTERED INCOME

| | 2021 \$'000 | 2020 \$'000 |
|---|------------------|------------------|
| Budgeted appropriation | 3 994 281 | 3 807 436 |
| Transfers from/(to) other headings | 54 633 | - |
| Unforeseen expenditure | - | 406 862 |
| Total administered receipts | 4 048 914 | 4 214 298 |
| Plus opening balance of administered unearned revenue | 119 347 | - |
| Less closing balance of administered unearned revenue | - | (119 347) |
| Less opening balance of administered revenue receivable | - | (25 656) |
| Plus closing balance of administered revenue receivable | 45 412 | - |
| Administered income recognised in Note F1-1 | 4 213 673 | 4 069 295 |

F1-3 SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES

| | 2021 Actual \$'000 | 2020 Actual \$'000 |
|---|--------------------------|--------------------------|
| Administered current assets | | |
| Cash at bank | 125 | 120 108 |
| Appropriation receivable | 45 412 | - |
| Trade receivable | 8 315 | 10 585 |
| GST input tax credits receivable | 2 | - |
| Total administered current assets | 53 854 | 130 693 |
| Administered current liabilities | | |
| Overdraft facilities | 45 165 | - |
| Revenue payable to Government | 8 436 | 11 131 |
| Other payable | 42 | 4 |
| Unearned administered appropriation | - | 119 347 |
| Total administered current liabilities | 53 643 | 130 482 |
| Net administered assets/ liabilities | 211 | 211 |

F1-4 ADMINISTERED ACTIVITIES – BUDGET TO ACTUAL VARIANCE ANALYSIS

This note contains an explanation of major variances between 2020-21 actual results and the original budget for the department's major classes of administered income and expenses.

Fees and Charges: Variance of +\$11.781 million is mainly due to higher Office of Industrial Relations collections including +\$6.545 million for QLeave Portable Long Service Leave as a result of higher construction activity; and for occupational licencing +\$1.356 million mainly due to higher than expected labour hire licencing fees resulting from increased compliance activity.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

F2 TRUST TRANSACTIONS AND BALANCES

(a) Educational bequests

The department acts as trustee for and manages one trust established by benefactors to encourage Queensland students to learn Japanese as a second language and recognise their achievements in acquiring this valuable skill. The Trust receives revenue in the form of bank interest and makes disbursements for student bursaries to fund travel and tuition fees and support continuing study of the Japanese language.

As the department 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.

No fees are received by the department for providing trustee services for these funds.

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Trust Account - Educational bequests | | |
| Opening balance - cash | 210 | 227 |
| Revenue - return on investment term deposit | 1 | 4 |
| Expense - Iwasaki Sangyo prize | (10) | (21) |
| Closing balance - cash | 201 | 210 |

(b) Industrial Relations collections

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| District Industrial Inspectors' Collection Accounts | | |
| <i>Industrial Relations Act 1999 s.358</i> | | |
| Opening balance - cash | 6 | - |
| Revenue - recovered wages | 5 | 33 |
| Expense - payments to workers | (4) | (27) |
| Closing balance - cash | 7 | 6 |

This account holds recovered wages owed to employees until funds are cleared before forwarding on to workers.

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| In-scope Electrical Equipment (Registration Fees) Fund | | |
| <i>Electrical Safety Act 2002 s.204A</i> | | |
| Opening balance - cash | 7 509 | 7 528 |
| Revenue - registration fees and interest | 2 604 | 1 727 |
| Expense - jurisdiction transfer payments and costs | (2 035) | (1 746) |
| Closing balance - cash | 8 078 | 7 509 |

This account holds money collected from the registration of electrical equipment and make payments to participating jurisdictions for electrical safety services.

The prior year comparative numbers have been restated to include expense transfers out of \$1.986 million in funds collected to participating jurisdictions that were omitted from the reported figures.

There are no audit fees payable by the department for these trust transactions.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

**SECTION 7
OTHER INFORMATION**

G1 KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

Details of key management personnel

The department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. The Minister is the Honourable Grace Grace MP, Minister for Education, Minister for Industrial Relations and Minister for Racing.

The following details for non-Ministerial key management personnel includes those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2020-21 and 2019-20. Further information regarding the department's Key Management Personnel can be found in the body of the Annual Report under the section relating to Governance.

| Position | Position Responsibility |
|--|---|
| Director-General | Strengthening education by boosting participation and quality in early childhood education and care, improving the performance of schools and delivering a responsive and productive industrial relations sector. |
| Deputy Director-General, Corporate Services * *** | Strategic leadership for the department's corporate procurement, finance, information technologies, and infrastructure services functions. |
| Deputy Director-General, Early Childhood and Education Improvement | Strategic leadership in the development and implementation of the innovation policy, funding and regulatory frameworks that shape the vibrant early childhood education and care sector in Queensland. |
| Deputy Director-General, Policy, Performance and Planning ** | Driving the strategic direction of the department, across early childhood, schooling, and Aboriginal and Torres Strait Islander education. This position delivers education-related strategic policy and intergovernmental relations functions and leads the development of the portfolio's legislative instruments, performance monitoring and reporting functions, and governance, strategy and planning. Including the Office of Racing, the division provides oversight of Racing Queensland and legislation that enables the operation of the racing industry in Queensland. |
| Deputy Director-General, State Schools | Strategic leadership in the development and implementation of innovative and effective education models and policies for Queensland state schools to ensure every student engages purposefully in learning and experiences academic success. |
| Deputy Director-General, Office of Industrial Relations | Strategic leadership of the Office of Industrial Relations, with responsibility for regulatory frameworks, policy advice and compliance activities for workplace safety, electrical safety, industrial relations and workers' compensation to make Queensland work and workplaces safer, fairer and productive. |
| Deputy Director-General, People and Executive Services | Provision of strategic leadership across the department's human resources, strategic communications and engagement, and legal services functions to support a diverse, capable and confident workforce that designs and delivers responsive services as our population grows and technology changes how we learn, work and live. |
| Assistant Director-General, Finance and Chief Finance Officer | Provision of strategic financial advice to the department's Executive and overall leadership of the department's finance functions. The position also has responsibilities under section 77 of the <i>Financial Accountability Act 2009 (Qld)</i> . |
| Regional Director (rotating representative) | Providing direction to the operations of the department at the regional level across all service streams, ensuring delivery of planned outcomes in line with departmental vision, values and strategic direction. |

* For the 2020-21 financial year, the incumbent position holder of Deputy Director-General, Corporate Services has been on extended leave for the whole financial year.

** The Office of Racing joined the department from the Department of State Development, Infrastructure, Local Government and Planning (the former Department of Local Government, Racing and Multicultural Affairs) following a Machinery of Government change effective from 1 December 2020.

*** A revised organisational structure took effect from 31 May 2021. The new structure created a new Infrastructure Services Division with a Deputy Director-General role and the Corporate Services Division was disestablished and restructured across the department. The previous reporting structure and reporting lines remained in place for 2020-21. The position, Deputy Director-General, Corporate Services, was abolished effective 31 May 2021.

Key management personnel remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook, and 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. The department does not bear any cost of remuneration of Ministers.

Remuneration policy for the department'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.

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

G1 KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION (continued)

Key management personnel remuneration policies (continued)

Where an employee has relieved in a KMP position for less than three months, these costs are reported against their substantive position.

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
- non-monetary benefits – consisting of provision of vehicle and car parking together with fringe benefits tax applicable to the benefit.

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

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

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

Key management personnel remuneration expenses

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

2020-21

| Position | Short Term Employee Expenses | | Long Term Employee Expenses | Post-Employment Expenses | Termination Benefits | Total Expenses |
|---|------------------------------|---------------------------------|-----------------------------|--------------------------|----------------------|----------------|
| | Monetary Expenses \$'000 | Non-Monetary Benefits \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Director-General | 542 | 0 | 13 | 66 | 0 | 621 |
| Deputy Director-General, Corporate Services (Acting from 01/07/2020 to 30/05/2021) Deputy Director-General, Infrastructure Services Division (Acting from 31/05/2021 to 30/06/2021) | 271 | 7 | 7 | 25 | 0 | 310 |
| Deputy Director-General, Early Childhood and Education Improvement | 250 | 9 | 6 | 28 | 0 | 293 |
| Deputy Director-General, Policy, Performance and Planning | 279 | 8 | 7 | 33 | 0 | 327 |
| Deputy Director-General, State Schools | 260 | 8 | 6 | 30 | 0 | 304 |
| Deputy Director-General, Office of Industrial Relations | 290 | 2 | 8 | 27 | 0 | 327 |
| Deputy Director-General, People and Executive Services (Appointed 13/10/2020) | 213 | 4 | 5 | 24 | 0 | 246 |
| Assistant Director-General, Finance and Chief Finance Officer (Acting from 01/07/2020 to 30/06/2021) | 218 | 8 | 5 | 24 | 0 | 255 |

Department of Education
Notes to the Financial Statements
for the year ended 30 June 2021

G1 KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION (continued)

Key management personnel remuneration expenses (continued)

| Position | Short Term Employee Expenses | | Long Term Employee Expenses | Post-Employment Expenses | Termination Benefits | Total Expenses |
|---|------------------------------|-----------------------|-----------------------------|--------------------------|----------------------|----------------|
| | Monetary Expenses | Non-Monetary Benefits | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Regional Director (rotating representative) (to 31/12/2020) | 118 | 0 | 3 | 13 | 0 | 134 |
| Regional Director (rotating representative) (from 01/01/2021) | 115 | 0 | 3 | 13 | 0 | 131 |

2019-20

| Position | Short Term Employee Expenses | | Long Term Employee Expenses | Post-Employment Expenses | Termination Benefits | Total Expenses |
|--|------------------------------|-----------------------|-----------------------------|--------------------------|----------------------|----------------|
| | Monetary Expenses | Non-Monetary Benefits | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Director-General | 550 | 0 | 13 | 68 | 0 | 631 |
| Deputy Director-General, Corporate Services | 308 | 6 | 7 | 34 | 0 | 355 |
| Deputy Director-General, Early Childhood and Education Improvement | 259 | 0 | 6 | 29 | 0 | 294 |
| Deputy Director-General, Policy, Performance and Planning | 266 | 6 | 7 | 34 | 0 | 313 |
| Deputy Director-General, State Schools | 270 | 6 | 7 | 31 | 0 | 314 |
| Deputy Director-General, Office of Industrial Relations * | 308 | 5 | 7 | 27 | 0 | 347 |
| Deputy Director-General, People and Executive Services (Position Created 16/03/2020) * | | | | | | |
| Assistant Director-General, Finance and Chief Finance Officer | 236 | 7 | 6 | 25 | 0 | 274 |
| Regional Director (rotating representative) (to 31/12/2019) | 125 | 0 | 3 | 14 | 0 | 142 |
| Regional Director (rotating representative) (from 01/01/2020) | 122 | 0 | 3 | 13 | 0 | 138 |

* The role of Deputy Director-General, People and Executive Services was created on 16 March 2020. The roles of Deputy Director-General, People and Executive Services and Deputy Director-General, Office of Industrial Relations were being undertaken conjointly, performing dual functions within the department's respective service areas.

Performance Payments

Key Management Personnel do not receive performance or bonus payments.

G2 RELATED PARTY TRANSACTIONS

Transactions with people/ entities related to KMP

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

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue (Note B1-1) and equity injections (Note C8-2), both of which are provided in cash via Queensland Treasury. The department purchases a variety of services from the Department of Energy and Public Works including building construction and maintenance \$288.315 million (2019-20 \$249.865 million); motor vehicle fleet \$7.537 million (2019-20 \$7.211 million); office accommodation \$38.436 million (2019-20 \$37.105 million); government employee housing \$21.541 million (2019-20 \$21.201 million); and information and communication technology services from CITEC \$6.341 million (2019-20 \$5.936 million). Services relating to school transport arrangements for \$40.405 million are purchased from the Department of Transport and Main Roads.

G3 NEW AND REVISED ACCOUNTING STANDARDS

The department did not voluntarily change any of its accounting policies during 2020-21.

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

Effective for the first time in 2020-21

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the department's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

The department has analysed the effects of the private provision of public infrastructure arrangements and it does not consider that AASB 1059 is applicable as no services are directly delivered to the public.

New Australian Accounting Standards issued but not yet effective

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to the department's activities, or have no material impact on the department.

G4 EVENTS OCCURRING AFTER THE REPORTING DATE

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

G5 TAXATION

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

G6 CLIMATE RISK DISCLOSURE

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

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


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

**Department of Education
Management Certificate**
for the year ended 30 June 2021

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), s.38 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 the prescribed accounting standards, of the transactions of the Department of Education for the financial year ended 30 June 2021, and of the financial position of the department at the end of that year; and

The Director-General, as the Accountable Officer of the Department, acknowledges 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.



Alison Mohr CPA, B ECom (Acc)
Acting Assistant Director-General, Finance
Chief Finance Officer
Department of Education



Tony Cook PSM
Director-General
Department of Education

Date: 23 August 2021

Date: 23 August 2021

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Education

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Education.

In my opinion, the financial report:

- a) gives a true and fair view of the department's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

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

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

Key audit matter

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

Valuation of Buildings (\$16.0 billion as at 30 June 2021)

Refer to note C3 in the financial report.

| Key audit matter | How my audit addressed the key audit matter |
|--|--|
| <p>Department of Education's specialised buildings were measured at fair value at balance date using the current replacement cost method.</p> <p>The Department performed a comprehensive revaluation of approximately one quarter of its buildings using an independent valuer, with remaining assets being revalued using indexation. It is the Department's policy to conduct revaluations on this basis annually.</p> <p>The current replacement cost method comprises:</p> <ul style="list-style-type: none"> gross replacement cost, less accumulated depreciation. <p>For comprehensively revalued buildings, the Department applied unit rates provided by the independent valuer to derive gross replacement cost. These unit rates require significant judgement in relation to:</p> <ul style="list-style-type: none"> identifying the components of buildings with separately identifiable replacement costs specifying the unit rate categories based on building and component types with similar characteristics elapsed utility estimates assessing the current replacement cost for each unit rate category having consideration for more contemporary design/construction approaches. <p>For Buildings not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.</p> | <p>Our procedures for Buildings comprehensively revalued included, but were not limited to:</p> <ul style="list-style-type: none"> Assessing the adequacy of management's review of the valuation process. Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness with reference to common industry practice. Assessing the competence, capability and objectivity of the experts used by the Department. On a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit cost rates including: <ul style="list-style-type: none"> modern substitute (including locality factors and oncosts) adjustment for obsolescence. <p>For Buildings revalued by index, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> Evaluating the relevance and appropriateness of the indices used for changes in Building Price Index inputs by comparing to other relevant external indices. Reviewing the appropriate application of these indices to the remaining three quarters of the portfolio. <p>Buildings useful life estimates were evaluated for reasonableness by:</p> <ul style="list-style-type: none"> Reviewing management's annual assessment of useful lives. Ensuring that no component still in use has reached or exceeded its useful life. Reviewing for consistency between condition assessment and percentage of depreciation. Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence. Ensuring that management has updated accumulated depreciation this year for changes in remaining useful lives identified. |

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the department's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the department to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements


Statement

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

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

Prescribed requirements scope

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



Brendan Worrall
Auditor-General

25 August 2021

Queensland Audit Office
Brisbane