FINANCIAL STATEMENTS 2015–2016

for the financial year ended 30 June 2016

FINANCIAL SUMMARY

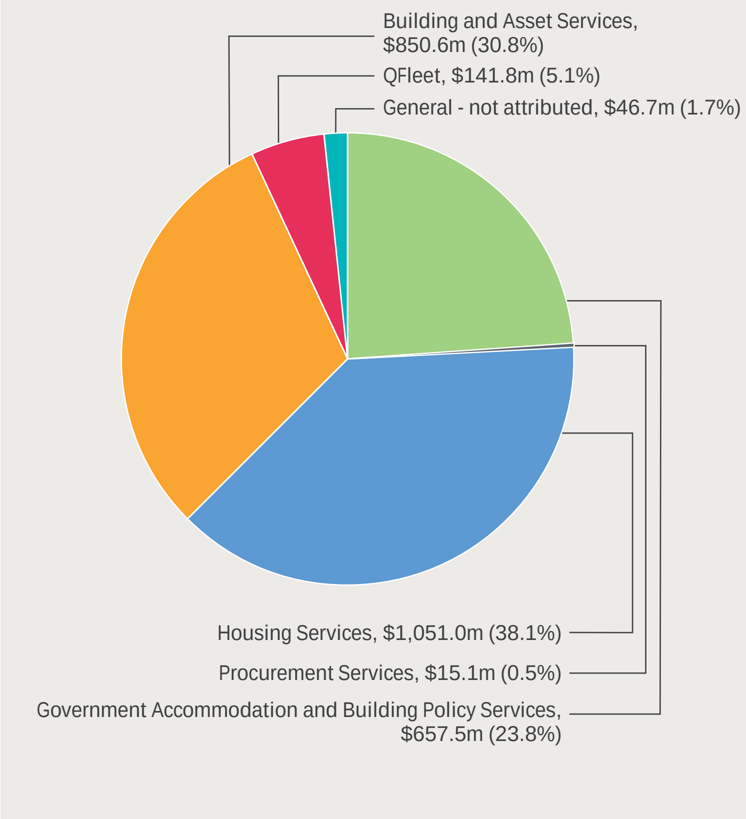
As at 30 June 2016 the department comprised the departmental entity (including Housing) and two commercialised business units (CBUs) (Building and Asset Services, and QFleet).

A Statement of comprehensive income and a Statement of financial position for the 2015-16 financial year for the department are provided on the following pages with explanations of significant variances from the previous year's results.

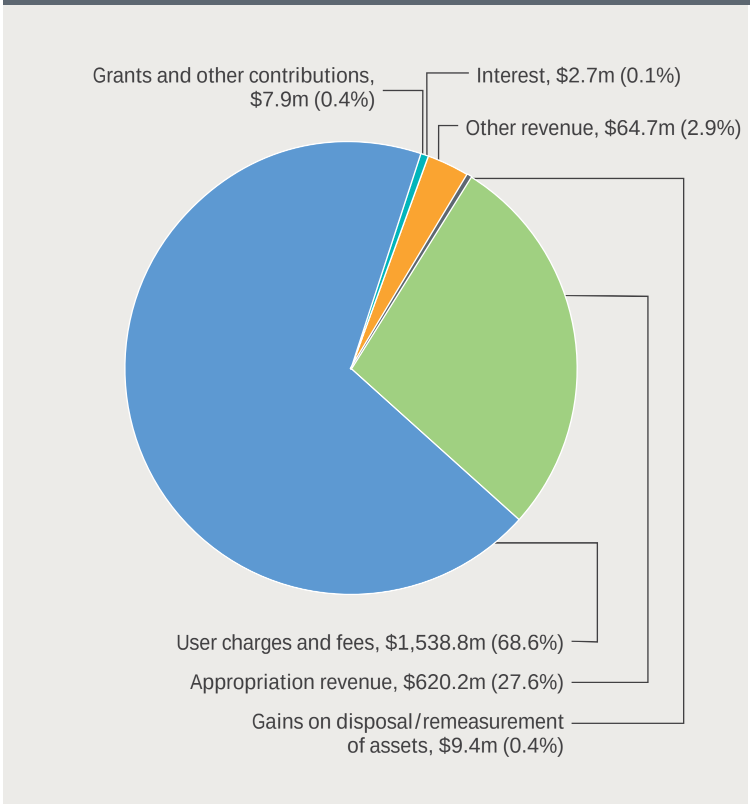
The department obtains the majority of its total income from user charges which comprise $1,539 million or 68.6 percent of the department's total income of $2,244 million. User charges include:

- rent of government office buildings and employee housing to other departments
- rent of social housing
- building construction and professional consultancy charges
- vehicle leasing.

Total income from continuing operations by Major Departmental Services and Commercialised Business Units in 2015–16#



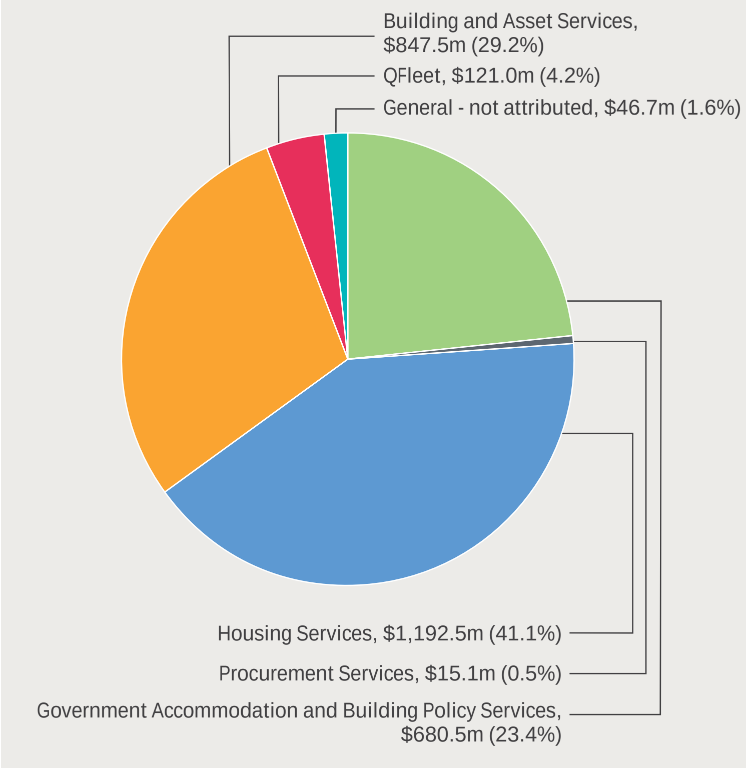
Total income from continuing operations by category in 2015–16



The major expense of the department is supplies and services which totals $1,535 million or 64.4 percent of the department's expenses of $2,384 million. The major supplies and services comprise government building expenses and expenses associated with providing social housing.

The major asset of the department is property, plant and equipment which totals $18,208 million of the department's total assets of $19,242 million (94.6 percent). The majority of this comprises social housing, commercial properties and the land on which these are situated.

Total expenses from continuing operations by Major Departmental Services and Commercialised Business Units in 2015–16#

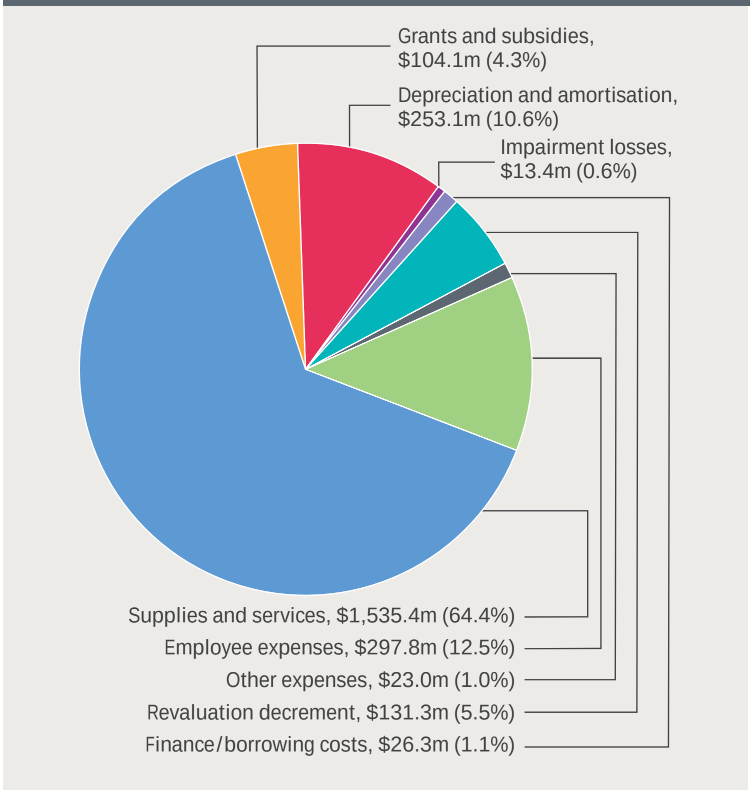


STATEMENT BY THE CHIEF FINANCE OFFICER

In accordance with the requirements of the *Financial Accountability Act 2009*, the Chief Finance Officer has provided the Director-General with a statement confirming the financial internal controls of the department are operating efficiently, effectively and economically in conformance with Section 57 of the *Financial and Performance Management Standard 2009*. The statement was presented at the Audit Committee meeting in August 2016.

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

Total expenses from continuing operations by category in 2015–16



 # Revenue and expenses by Major Departmental Services and Commercialised Business Units do not include internal departmental transaction eliminations which are eliminated in the Statement of Financial Position.

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	Actual 2015–16 $'000	Actual 2014–15 $'000
INCOME FROM CONTINUING OPERATIONS			
User charges and fees		1,538,807	1,563,360
Appropriation revenue		620,184	648,809
Grants and other contributions	1	7,866	16,662
Interest		2,722	3,715
Other revenue	2	64,739	36,926
Gains on disposal/remeasurement of assets	3	9,383	21,134
Total income from continuing operations		**2,243,701**	**2,290,606**
EXPENSES FROM CONTINUING OPERATIONS			
Supplies and services		1,535,379	1,543,204
Employee expenses		297,800	286,357
Depreciation and amortisation		253,097	250,273
Grants and subsidies		104,078	116,568
Finance/borrowing costs		26,261	28,944
Revaluation decrement	4	131,342	19,536
Impairment losses		13,409	15,593
Other expenses	5	23,022	38,299
Total expenses from continuing operations		**2,384,388**	**2,298,774**
Operating result from continuing operations before income tax		(140,687)	(8,168)
Income tax benefit/(expense)		(7,150)	(7,293)
Operating result from continuing operations after income tax		(147,837)	(15,461)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to operating result			
Increase/(decrease) in asset revaluation surplus		384,930	290,706
Total other comprehensive income		**384,930**	**290,706**
Total comprehensive income		**237,093**	**275,245**

Notes:

1. The decrease mainly relates to non-recurrent grant funding received in 2014–15 for new accommodation to house Queensland Health employees on Thursday Island.
2. The increase is mainly due to a one off accounting restatement of the lease liability as a result of the introduction of statutory rates charges for 40 year lease council properties and the receipt of proceeds in settlement of contractual arrangements from the prior sale of caravan parks.
3. The decrease is mainly due to the gains from the one-off sale of a number of non-residential properties in 2014–15.
4. The increase in revaluation decrement is mainly due to a decline in value in the building component of social housing residential dwellings.
5. The decrease is mainly due to changes in appropriation payable to the Consolidated Fund as at 30 June 2016 as part of the finalisation of the 2015–16 financial year.

Balance Sheet

as at 30 June 2016

	Notes	Actual 2015–16 $'000	Actual 2014–15 $'000
CURRENT ASSETS			
Cash and cash equivalents		406,901	372,107
Loans and receivables	6	143,337	176,091
Inventories	7	43,546	56,489
Prepayments	8	37,670	51,510
Financial assets at fair value through profit or loss		4,000	4,000
Tax assets		145	483
Non-current assets classified as held for sale	9	62,251	46,138
Total current assets		**697,850**	**706,818**
NON-CURRENT ASSETS			
Property, plant and equipment		18,207,640	17,956,775
Financial assets at fair value through profit or loss		186,927	188,389
Loans and receivables		134,300	129,533
Intangible assets		13,558	18,421
Deferred tax assets		2,204	2,779
Total non-current assets		**18,544,629**	**18,295,897**
TOTAL ASSETS		**19,242,479**	**19,002,715**
CURRENT LIABILITIES			
Payables	10	211,221	258,885
Interest-bearing liabilities	11	18,103	27,641
Unearned revenue		85,871	93,826
Accrued employee benefits		12,407	9,942
Provisions		36	187
Tax liabilities		149	7
Other current liabilities	12	27,246	7,612
Total current liabilities		**355,033**	**398,100**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		576,348	598,547
Payables		65,166	54,890
Unearned revenue		31,742	33,065
Deferred tax liabilities		13,540	12,455
Other non-current liabilities		5,540	7,742
Total non-current liabilities		**692,336**	**706,699**
TOTAL LIABILITIES		**1,047,369**	**1,104,799**
NET ASSETS		**18,195,110**	**17,897,916**
EQUITY			
Contributed equity		16,139,853	16,071,417
Asset revaluation surplus		1,922,352	1,537,422
Accumulated surplus		132,905	289,077
TOTAL EQUITY		**18,195,110**	**17,897,916**

Notes:

6. The decrease mainly reflects a reduction in Building and Asset Services receivables due to an increased focus on improving collections from customers during 2015–16 combined with a change in phasing of actual sales which were more evenly distributed throughout the year.
7. The decrease mainly reflects the timing of the finalisation of Building and Asset Services work orders during 2015–16.
8. The decrease is mainly due to the Queensland Government Insurance Fund's decision to no longer require the prepayment of insurance premiums.
9. The increase is attributable to an increase in the number and average value of residential properties scheduled for sale.
10. The decrease is mainly due to reduced appropriation and equity adjustments payable to the Consolidated Fund as at 30 June 2016 as part of the finalisation of the 2015–16 financial year combined with a change in phasing of activity for Building and Asset Services with work more evenly distributed throughout the year.
11. The decrease is mainly due to the repayment of the QFleet working capital facility in 2015–16.
12. The increase is mainly due to the 2015–16 component of the lease incentive for 1 William Street.

INTRODUCTION TO FINANCIAL STATEMENTS

The following financial statements have been prepared by the department and audited by the Auditor-General of Queensland:

- Statement of Comprehensive Income
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units
- Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units
- Notes to and forming part of the Financial Statements 2015–16
- Management Certificate
- Independent Auditor's Report.

General Information

These financial Statements cover the Department of Housing and Public Works.

The Department of Housing and Public Works is a Queensland Government department established under the *Public Service Act 2008.*

The department is controlled by the State of Queensland which is the ultimate parent.

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

80 George Street
BRISBANE QLD 4000

A description of the nature of the department's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the department's financial statements, please call 07 300 83138 or visit the departmental website http://www.hpw.qld.gov.au

Amounts shown in these financial statements may not add to the correct subtotals or totals due to rounding.

Department of Housing and Public Works
Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
INCOME FROM CONTINUING OPERATIONS			
User charges and fees	2.1	1,538,807	1,563,360
Appropriation revenue	2.2	620,184	648,809
Grants and other contributions		7,866	16,662
Interest		2,722	3,715
Other revenue		64,739	36,926
Total revenue		2,234,318	2,269,472
Gains on disposal/remeasurement of assets		9,383	21,134
Total income from continuing operations		2,243,701	2,290,606
EXPENSES FROM CONTINUING OPERATIONS			
Supplies and services	3.1	1,535,379	1,543,204
Employee expenses	3.2	297,800	286,357
Depreciation and amortisation		253,097	250,273
Grants and subsidies	3.3	104,078	116,568
Finance/borrowing costs		26,261	28,944
Revaluation decrement	4.1	131,342	19,536
Impairment losses		13,409	15,593
Other expenses	3.4	23,022	38,299
Total expenses from continuing operations		2,384,388	2,298,774
Operating result from continuing operations before income tax		(140,687)	(8,168)
Income tax benefit/(expense)		(7,150)	(7,293)
Operating result from continuing operations after income tax		(147,837)	(15,461)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to operating result			
Increase/(decrease) in asset revaluation surplus	4.1 (d)	384,930	290,706
Total other comprehensive income		384,930	290,706
Total comprehensive income		237,093	275,245

The accompanying notes form part of these statements.

Department of Housing and Public Works
Balance Sheet
as at 30 June 2016

	Note	2016 $'000	2015 $'000
CURRENT ASSETS			
Cash and cash equivalents		406,901	372,107
Loans and receivables	4.2	143,337	176,091
Inventories	4.3	43,546	56,489
Prepayments		37,670	51,510
Financial assets at fair value through profit or loss	4.4	4,000	4,000
Tax assets		145	483
		635,599	660,680
Non-current assets classified as held for sale	4.5	62,251	46,138
Total current assets		697,850	706,818
NON-CURRENT ASSETS			
Property, plant and equipment	4.1	18,207,640	17,956,775
Financial assets at fair value through profit or loss	4.4	186,927	188,389
Loans and receivables	4.2	134,300	129,533
Intangible assets		13,558	18,421
Deferred tax assets		2,204	2,779
Total non-current assets		18,544,629	18,295,897
TOTAL ASSETS		19,242,479	19,002,715
CURRENT LIABILITIES			
Payables	5.1	211,221	258,885
Interest-bearing liabilities	5.2	18,103	27,641
Unearned revenue	5.3	85,871	93,826
Accrued employee benefits		12,407	9,942
Provisions		36	187
Tax liabilities		149	7
Other current liabilities		27,246	7,612
Total current liabilities		355,033	398,100
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	5.2	576,348	598,547
Payables	5.1	65,166	54,890
Unearned revenue	5.3	31,742	33,065
Deferred tax liabilities		13,540	12,455
Other non-current liabilities		5,540	7,742
Total non-current liabilities		692,336	706,699
TOTAL LIABILITIES		1,047,369	1,104,799
NET ASSETS		18,195,110	17,897,916
EQUITY			
Contributed equity		16,139,853	16,071,417
Asset revaluation surplus	4.1(d)	1,922,352	1,537,422
Accumulated surplus		132,905	289,077
TOTAL EQUITY		18,195,110	17,897,916

The accompanying notes form part of these statements.

Department of Housing and Public Works
Statement of Changes in Equity
for the year ended 30 June 2016

	Contributed equity $'000	Asset revaluation surplus (Note 4.1(d)) $'000	Accumulated surplus/(deficit) $'000	Total $'000
Balance as at 1 July 2014	15,602,046	1,246,716	312,801	17,161,563
Operating result from continuing operations	-	-	(15,461)	(15,461)
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	290,706	-	290,706
Total comprehensive income for the year	-	290,706	(15,461)	275,245
Transactions with owners as owners				
- Appropriated equity injections (Note 6.2)	56,404	-	-	56,404
- Appropriated equity withdrawals (Note 6.2)	(118,995)	-	-	(118,995)
- Non-appropriated equity adjustments	18,584	-	-	18,584
- Net transfers in/(out) from other Queensland Government entities	513,378	-	-	513,378
- Dividends paid or declared	-	-	(8,263)	(8,263)
Net transactions with owners as owners	469,371	-	(8,263)	461,108
Balance as at 30 June 2015	16,071,417	1,537,422	289,077	17,897,916
Balance as at 1 July 2015	16,071,417	1,537,422	289,077	17,897,916
Operating result from continuing operations	-	-	(147,837)	(147,837)
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	384,930	-	384,930
Total comprehensive income for the year	-	384,930	(147,837)	237,093
Transactions with owners as owners				
- Appropriated equity injections (Note 6.2)	133,519	-	-	133,519
- Appropriated equity withdrawals (Note 6.2)	(74,051)	-	-	(74,051)
- Non-appropriated equity adjustments	11,858	-	-	11,858
- Net transfers in/(out) from other Queensland Government entities	(2,890)	-	-	(2,890)
- Dividends paid or declared	-	-	(8,335)	(8,335)
Net transactions with owners as owners	68,436	-	(8,335)	60,101
Balance as at 30 June 2016	16,139,853	1,922,352	132,905	18,195,110

Department of Housing and Public Works
Statement of Cash Flows
for the year ended 30 June 2016

	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
User charges and fees	1,561,722	1,485,845
Appropriation receipts	600,213	670,205
GST input tax credits received from the Australian Taxation Office	151,253	162,438
GST collected from customers	121,597	125,261
Grants and other contributions	7,915	20,015
Interest receipts	2,775	3,812
Other	60,965	40,594
Outflows:		
Supplies and services	(1,558,304)	(1,499,103)
Employee expenses	(294,569)	(281,577)
GST remitted to the Australian Taxation Office	(139,984)	(159,795)
GST paid to suppliers	(163,429)	(156,283)
Grants and subsidies	(97,878)	(117,982)
Finance/borrowing costs	(26,496)	(28,825)
Taxation equivalents	(5,010)	(7,726)
Other	(15,896)	(24,352)
Net cash provided by (used in) operating activities	204,874	232,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Sales of property, plant and equipment	110,671	138,346
Loans and advances redeemed	28,207	26,269
Redemption of other financial assets	7,272	4,260
Outflows:		
Payments for property, plant and equipment	(328,918)	(233,287)
Loans and advances made	(26,562)	(32,307)
Payments for intangible assets	(312)	(1,579)
Net cash provided by (used in) investing activities	(209,642)	(98,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows:		
Equity injections	143,457	84,243
Borrowings	20,000	20,000
Outflows:		
Equity withdrawals	(88,930)	(100,520)
Borrowing redemptions	(25,484)	(26,281)
Dividends paid	(8,258)	(10,810)
Finance lease payments	(1,223)	(1,521)
Transfers to other government entities	-	(1,995)
Net cash provided by (used in) financing activities	39,562	(36,884)
Net increase (decrease) in cash and cash equivalents	34,794	97,345
Cash and cash equivalents at beginning of financial year	372,107	274,762
Cash and cash equivalents at end of financial year	406,901	372,107

The accompanying notes form part of these statements.

Department of Housing and Public Works
Statement of Cash Flows
for the year ended 30 June 2016

NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating result to net cash from operating activities

	2016 $'000	2015 $'000
Operating surplus/(deficit) before income tax	(140,687)	(8,168)
Less: income tax benefit/(expense)	(7,150)	(7,293)
	(147,837)	(15,461)
Non-cash items:		
Depreciation and amortisation expense	253,097	250,273
Motor vehicles sold	47,249	64,025
Donated assets and services expensed	145	-
Contributed assets and services received	-	(439)
Impairment losses	13,116	15,570
Loss/(gain) on disposal of non-current assets	(3,441)	(11,801)
Revaluation decrement/(increment)	131,342	19,536
Lease incentives	(1,933)	2,560
Write-off of assets	1,731	1,059
Write-on of assets	(12)	(348)
Net loss/(gain) on revaluation of financial assets	(4,343)	(4,668)
Change in assets and liabilities:		
(Increase) decrease in GST input tax credits receivable	4,116	(4,210)
(Increase) decrease in loans and receivables	16,878	(31,726)
(Increase) decrease in inventories	12,346	(11,847)
(Increase) decrease in prepayments	13,840	(4,889)
(Increase) decrease in current tax assets	483	(146)
(Increase) decrease in deferred tax assets	575	1,574
Acquisition of motor vehicles held for rental	(97,846)	(114,547)
Increase (decrease) in GST payable	(1,988)	5,527
Increase (decrease) in payables	(18,387)	73,701
Increase (decrease) in interest-bearing liabilities	(27,741)	-
Increase (decrease) in unearned revenue	(9,277)	3,643
Increase (decrease) in accrued employee benefits	2,468	(1,133)
Increase (decrease) in provisions	(151)	(887)
Increase (decrease) in current tax liability	(2)	(800)
Increase (decrease) in deferred tax liability	1,085	(1,057)
Increase (decrease) in other liabilities	19,361	(982)
Net cash from operating activities	204,874	232,527

Department of Housing and Public Works
Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units
for the year ended 30 June 2016

	Government Accommodation and Building Policy Services 2016 $'000	Procurement Services 2016 $'000	Building and Asset Services 2016 $'000	QFleet 2016 $'000	Housing Services 2016 $'000	General - not attributed 2016 $'000	Inter-departmental service eliminations 2016 $'000	Total 2016 $'000
INCOME FROM CONTINUING OPERATIONS								
User charges and fees	593,230	1,136	844,998	141,317	430,344	46,653	(518,871)	1,538,807
Appropriation revenue	52,157	14,013	-	-	554,014	-	-	620,184
Grants and other contributions	1,849	-	312	-	5,705	-	-	7,866
Interest	420	-	631	51	1,620	-	-	2,722
Other revenue	10,216	-	4,625	401	49,488	9	-	64,739
Total revenue	657,872	15,149	850,566	141,769	1,041,171	46,662	(518,871)	2,234,318
Gains on disposal/remeasurement of assets	(422)	-	-	-	9,804	1	-	9,383
Total income from continuing operations	657,450	15,149	850,566	141,769	1,050,975	46,663	(518,871)	2,243,701
EXPENSES FROM CONTINUING OPERATIONS								
Supplies and services	578,951	6,321	732,614	73,030	641,912	21,422	(518,871)	1,535,379
Employee expenses	24,537	8,825	109,469	4,217	125,908	24,844	-	297,800
Depreciation and amortisation	73,084	3	3,717	33,817	142,182	294	-	253,097
Grants and subsidies	1,836	-	-	-	102,242	-	-	104,078
Finance/borrowing costs	631	-	-	5,752	19,878	-	-	26,261
Revaluation decrement	(1,074)	-	-	-	132,416	-	-	131,342
Impairment losses	(167)	-	243	2	13,331	-	-	13,409
Other expenses	2,685	-	1,462	4,191	14,581	103	-	23,022
Total expenses from continuing operations	680,483	15,149	847,505	121,009	1,192,450	46,663	(518,871)	2,384,388
Operating result from continuing operations before income tax	(23,033)	-	3,061	20,760	(141,475)	-	-	(140,687)
Income tax benefit/(expense)	-	-	(922)	(6,228)	-	-	-	(7,150)
Operating result from continuing operations after income tax	(23,033)	-	2,139	14,532	(141,475)	-	-	(147,837)
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified to operating result								
Increase/(decrease) in asset revaluation surplus	125,540	-	-	-	259,390	-	-	384,930
Total other comprehensive income	125,540	-	-	-	259,390	-	-	384,930
Total comprehensive income	102,507	-	2,139	14,532	117,915	-	-	237,093

Department of Housing and Public Works
Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units
for the year ended 30 June 2015

	Building Services 2015 $'000	Procurement Services 2015 $'000	Building and Asset Services 2015 $'000	QFleet 2015 $'000	Housing Services 2015 $'000	General - not attributed 2015 $'000	Inter-departmental service eliminations 2015 $'000	Total 2015 $'000
INCOME FROM CONTINUING OPERATIONS								
User charges and fees	609,731	982	850,561	164,622	394,633	48,030	(505,199)	1,563,360
Appropriation revenue	28,669	35,748	-	-	573,831	10,561	-	648,809
Grants and other contributions	7,870	-	308	-	7,854	630	-	16,662
Interest	465	-	1,284	65	1,901	-	-	3,715
Other revenue	7,540	-	7,582	576	21,212	16	-	36,926
Total revenue	654,275	36,730	859,735	165,263	999,431	59,237	(505,199)	2,269,472
Gains on disposal/remeasurement of assets	14,262	-	(2)	-	6,874	-	-	21,134
Total income from continuing operations	668,537	36,730	859,733	165,263	1,006,305	59,237	(505,199)	2,290,606
EXPENSES FROM CONTINUING OPERATIONS								
Supplies and services	545,840	25,244	741,377	92,019	615,253	27,806	(504,335)	1,543,204
Employee expenses	24,127	10,656	113,075	4,276	113,009	22,078	(864)	286,357
Depreciation and amortisation	70,997	4	3,319	34,436	141,243	274	-	250,273
Grants and subsidies	1,761	-	-	-	114,807	-	-	116,568
Finance/borrowing costs	718	-	-	7,033	21,193	-	-	28,944
Revaluation decrement	19,536	-	-	-	-	-	-	19,536
Impairment losses	14	-	7	(70)	15,640	2	-	15,593
Other expenses	1,982	826	1,253	4,461	21,022	8,755	-	38,299
Total expenses from continuing operations	664,975	36,730	859,031	142,155	1,042,167	58,915	(505,199)	2,298,774
Operating result from continuing operations before income tax	3,562	-	702	23,108	(35,862)	322	-	(8,168)
Income tax benefit/(expense)	-	-	(361)	(6,932)	-	-	-	(7,293)
Operating result from continuing operations after income tax	3,562	-	341	16,176	(35,862)	322	-	(15,461)
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified to operating result								
Increase/(decrease) in asset revaluation surplus	43,444	-	-	-	247,262	-	-	290,706
Total other comprehensive income	43,444	-	-	-	247,262	-	-	290,706
Total comprehensive income	47,006	-	341	16,176	211,400	322	-	275,245

Department of Housing and Public Works
Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units
as at 30 June 2016

	Government Accommodation and Building Policy Services 2016 $'000	Procurement Services 2016 $'000	Building and Asset Services 2016 $'000	QFleet 2016 $'000	Housing Services 2016 $'000	General - not attributed 2016 $'000	Inter-departmental service eliminations 2016 $'000	Total 2016 $'000
CURRENT ASSETS								
Cash and cash equivalents	38,412	-	120,308	6,966	174,541	66,674	-	406,901
Loans and receivables	18,130	(635)	83,277	11,256	67,264	(4,657)	(31,298)	143,337
Inventories	239		38,382	4,925	-	-	-	43,546
Prepayments	31,573	360	148	4,612	-	977	-	37,670
Financial assets at fair value through profit or loss	-	-	-	-	4,000	-	-	4,000
Tax assets	-	-	-	145	-	-	-	145
	88,354	(275)	242,115	27,904	245,805	62,994	(31,298)	635,599
Non-current assets classified as held for sale	25,970	-	-	-	36,281	-	-	62,251
Total current assets	114,324	(275)	242,115	27,904	282,086	62,994	(31,298)	697,850
NON-CURRENT ASSETS								
Property, plant and equipment	2,622,653	2	1,176	243,365	15,340,183	261	-	18,207,640
Financial assets at fair value through profit or loss	-	-	-	-	186,927	-	-	186,927
Loans and receivables	101,576	-	-	-	32,724	-	-	134,300
Intangible assets	468	-	10,969	-	2,120	1	-	13,558
Deferred tax assets	-	-	2,198	6	-	-	-	2,204
Total non-current assets	2,724,697	2	14,343	243,371	15,561,954	262	-	18,544,629
TOTAL ASSETS	2,839,021	(273)	256,458	271,275	15,844,040	63,256	(31,298)	19,242,479
CURRENT LIABILITIES								
Payables	41,256	1,796	83,589	19,117	94,437	2,324	(31,298)	211,221
Interest-bearing liabilities	1,864	-	-	491	15,748	-	-	18,103
Unearned revenue	12,409	-	45,782	6,138	20,286	1,256	-	85,871
Accrued employee benefits	864	230	4,762	179	5,179	1,193	-	12,407
Provisions	-	-	36	-	-	-	-	36
Tax liabilities	-	-	149	-	-	-	-	149
Other current liabilities	27,067	-	179	-	-	-	-	27,246
Total current liabilities	83,460	2,026	134,497	25,925	135,650	4,773	(31,298)	355,033
NON-CURRENT LIABILITIES								
Interest-bearing liabilities	11,046	-	-	146,512	418,790	-	-	576,348
Payables	65,166	-	-	-	-	-	-	65,166
Unearned revenue	31,742	-	-	-	-	-	-	31,742
Deferred tax liabilities	-	-	2,756	10,784	-	-	-	13,540
Other non-current liabilities	5,540	-	-	-	-	-	-	5,540
Total non-current liabilities	113,494	-	2,756	157,296	418,790	-	-	692,336
TOTAL LIABILITIES	196,954	2,026	137,253	183,221	554,440	4,773	(31,298)	1,047,369

Department of Housing and Public Works
Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units
as at 30 June 2015

	Building Services 2015 $'000	Procurement Services 2015 $'000	Building and Asset Services 2015 $'000	QFleet 2015 $'000	Housing Services 2015 $'000	General - not attributed 2015 $'000	Inter-departmental service eliminations 2015 $'000	Total 2015 $'000
CURRENT ASSETS								
Cash and cash equivalents	21,019	-	103,203	3,738	177,394	66,753	-	372,107
Loans and receivables	23,517	1,483	121,945	13,123	44,236	8,525	(36,738)	176,091
Inventories	217	-	48,072	5,522	2,678	-	-	56,489
Prepayments	32,616	(83)	103	5,788	12,284	802	-	51,510
Financial assets at fair value through profit or loss	-	-	-	-	4,000	-	-	4,000
Tax assets	-	-	483	-	-	-	-	483
	77,369	1,400	273,806	28,171	240,592	76,080	(36,738)	660,680
Non-current assets classified as held for sale	23,036	-	-	-	23,102	-	-	46,138
Total current assets	100,405	1,400	273,806	28,171	263,694	76,080	(36,738)	706,818
NON-CURRENT ASSETS								
Property, plant and equipment	2,564,688	5	1,494	225,987	15,164,074	527	-	17,956,775
Financial assets at fair value through profit or loss	-	-	-	-	188,389	-	-	188,389
Loans and receivables	91,907	-	-	-	37,626	-	-	129,533
Intangible assets	702	-	14,020	-	3,696	3	-	18,421
Deferred tax assets	-	-	2,770	9	-	-	-	2,779
Total non-current assets	2,657,297	5	18,284	225,996	15,393,785	530	-	18,295,897
TOTAL ASSETS	2,757,702	1,405	292,090	254,167	15,657,479	76,610	(36,738)	19,002,715
CURRENT LIABILITIES								
Payables	49,801	4,841	98,002	21,836	109,875	11,268	(36,738)	258,885
Interest-bearing liabilities	1,782	-	-	10,222	15,637	-	-	27,641
Unearned revenue	3,540	-	68,064	5,649	16,002	571	-	93,826
Accrued employee benefits	709	277	4,036	110	3,808	1,002	-	9,942
Provisions	-	-	187	-	-	-	-	187
Tax liabilities	-	-	-	7	-	-	-	7
Other current liabilities	7,348	10	254	-	-	-	-	7,612
Total current liabilities	63,180	5,128	170,543	37,824	145,322	12,841	(36,738)	398,100
NON-CURRENT LIABILITIES								
Interest-bearing liabilities	12,884	-	-	126,512	459,151	-	-	598,547
Payables	54,890	-	-	-	-	-	-	54,890
Unearned revenue	33,065	-	-	-	-	-	-	33,065
Deferred tax liabilities	-	-	3,412	9,043	-	-	-	12,455
Other non-current liabilities	7,742	-	-	-	-	-	-	7,742
Total non-current liabilities	108,581	-	3,412	135,555	459,151	-	-	706,699
TOTAL LIABILITIES	171,761	5,128	173,955	173,379	604,473	12,841	(36,738)	1,104,799

1 BASIS OF PREPARATION

1.1 Authorisation of financial statements

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

1.2 General information

The Department of Housing and Public Works is a not-for-profit 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 80 George Street, Brisbane, Queensland 4000.

For information in relation to the department's financial statements, please call 07 3008 3138 or visit the department's website at www.hpw.qld.gov.au.

1.3 Statement of compliance

The department has prepared these general purpose financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009* , the Australian Accounting Standards and Interpretations applicable to not-for-profit entities, and Queensland Treasury's Minimum Reporting Requirements.

1.4 The reporting entity

Department objectives

The objectives and principal activities of the department are reflected in the services undertaken by the department which are summarised below:

Housing Services

Housing Services provides housing assistance and homelessness support services to Queenslanders most in need, through a mix of direct delivery and arrangements with funded service providers. This includes remote Aboriginal and Torres Strait Islander housing, social and private housing assistance, homelessness support services and crisis accommodation.

Government Accommodation and Building Policy Services

Government Accommodation and Building Policy Services (formerly known as Building Services) delivers the Queensland Government's office accommodation and employee housing portfolio and manages significant building and property initiatives.

Procurement Services

Procurement services manages the Queensland Government's procurement policy and related frameworks. It provides expert advice to stakeholders, and helps enable agencies to achieve their procurement outcomes by sharing procurement information, best practice and innovation; developing whole-of-government frameworks in areas including capability, accreditation and performance; and working with agencies to reduce the cost of doing business with the Queensland Government.

Building and Asset Services

Building and Asset Services delivers coordinated procurement and contract management of construction and maintenance programs to Queensland Government agencies to build better and safer places to live and work.

QFleet

QFleet is responsible for whole-of-government fleet policy development and implementation. Services include vehicle procurement and contract management, fleet advisory services to public sector departments, as well as government-funded organisations, in-service maintenance, accident management, and end-of-life repairs and vehicle remarketing.

1.4 The reporting entity (continued)

Machinery of government changes

As a result of Administrative Arrangements Order (No.3) 2015 on 8 December 2015, the Office of the Queensland Government Architect was transferred to the Department of Infrastructure, Local Government and Planning.

1.5 Measurement

The historical cost convention is used unless fair value is stated as the measurement basis.

1.6 Presentation

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

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

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.

1.7 New accounting standards

Accounting Pronouncements Early Adopted for 2015-16

The following pronouncements have been early adopted for the 2015-16 year as required by Queensland Treasury.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]

The amendments arising from this standard seek to improve financial reporting by providing flexibility as to the ordering of notes, the identification and location of significant accounting policies and the presentation of sub-totals, and provides clarity on aggregating line items. It also emphasises only including material disclosures in the notes. The department has applied this flexibility in preparing the 2015-16 financial statements, including co-locating significant accounting policies with the related breakdowns of financial statement figures in the notes.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]

This standard amends AASB 13 *Fair Value Measurement* and provides relief to not-for-profit public sector entities from certain disclosures about property, plant and equipment that is primarily held for its current service potential rather than to generate future net cash inflows. The relief applies to assets under AASB 116 *Property, Plant and Equipment* which are measured at fair value and categorised within level three of the fair value hierarchy (refer to Note 4.1).

As a result, the following disclosures are no longer required for those assets. In early adopting the amendments, the following disclosures have been removed from the 2015-16 financial statements:

- quantitative information about the significant unobservable inputs used in the fair value measurement; and
- a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.

Refer to Note 9.4 for details of the future impact of accounting standards not yet effective.

	2016 $'000	2015 $'000

2 REVENUE

2.1 User charges and fees

	2016 $'000	2015 $'000
Property rental	920,008	894,287
Building services	434,366	458,954
Vehicle leasing and sales	137,516	160,752
Other	46,917	49,367
Total	1,538,807	1,563,360

User charges and fees controlled by the department are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty.

Property rental includes charges for social housing and for office accommodation supplied to other Queensland Government departments. Social housing rental charges are established so that no more than 25% of a tenant's household income is paid in rent. The department also receives rental income from community organisations, local and state government and other entities for dwellings rented. Property rental income in respect of commercial operating leases is recognised on a straight-line basis over the lease term.

Revenue for building services is recognised on fixed price construction contracts and for services rendered in accordance with the percentage of completion method. Stage of completion is measured by reference to the proportion of physical work completed. Revenue is recognised on fixed price construction contracts when the outcome of the contract is reliably known. Where the outcome is not reliably known, revenue is recognised to the value of costs incurred where it is probable that the costs are recoverable. Expected losses are recognised as an expense where it is probable that the total contract costs will exceed total contract revenue.

2.2 Appropriation revenue

Reconciliation of payments from consolidated fund to appropriation revenue recognised in operating result

	2016 $'000	2015 $'000
Budgeted appropriation revenue	680,059	729,686
Transfers from/to other headings - variation in headings	-	(7,329)
Transfers from/to other departments - redistribution of public business	(202)	-
Lapsed appropriation revenue	(79,644)	(52,152)
Total appropriation receipts (cash)	600,213	670,205
Less: Opening balance of appropriation revenue receivable	-	(21,396)
Plus: Closing balance of appropriation revenue receivable	3,540	-
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	16,431	-
Less: Closing balance of deferred appropriation payable to Consolidated Fund	-	(16,431)
Net appropriation revenue	620,184	632,378
Plus: Deferred appropriation payable to Consolidated Fund (expense)	-	16,431
Appropriation revenue recognised in Statement of Comprehensive Income	620,184	648,809

Appropriations provided under the *Appropriation Act 2015* are recognised as revenue when received or when a receivable is recognised after approval by Queensland Treasury.

3 EXPENSES

3.1 Supplies and services

	2016 $'000	2015 $'000
Property rental	357,799	368,835
Cost of sales		
Building, construction and maintenance services	277,230	270,463
Motor vehicles and land sold through inventory	50,249	64,506
Property repairs and maintenance	298,856	269,323
Outsourced service delivery - Housing Services	175,296	169,176
Rates to local governments*	161,251	154,865
Consultants and contractors	26,649	45,059
Motor vehicle costs	20,705	21,789
Electricity and gas	23,922	25,135
Service level agreement charges	13,808	19,244
Travel	4,102	3,955
Other	125,512	130,854
Total	1,535,379	1,543,204

Property rental expenses in respect of operating leases are recognised on a straight line basis over the period of the lease term.

* The department is not required to pay general rates to local governments for properties covered by Section 95 of the *Housing Act 2003* so these payments are considered special payments. Consequently, rates to local governments include special payments totalling $47.688 million (2015 $45.621 million) in respect of general rates.

3.2 Employee expenses

	2016 $'000	2015 $'000
Employee benefits		
Wages and salaries	228,336	215,195
Annual leave levy	22,842	22,258
Employer superannuation contributions	29,532	27,879
Long service leave levy	5,209	4,978
Termination benefits	657	3,858
Other employee benefits	725	2,284
	287,301	276,452
Employee-related expenses	10,499	9,905
Total	297,800	286,357

Wages and salaries

Wages and salaries due (but unpaid at reporting date) are recognised in the Balance Sheet at 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 amounts.

Annual leave and long service leave

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

	2016 $'000	2015 $'000

3.2 Employee expenses (continued)

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis, and reported in those financial statements prepared pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* .

Number of employees

The number of employees (measured on a full-time equivalent basis) as at 30 June 2016 is 2,978 (2015 2,889).

Key management personnel and remuneration disclosures are detailed in Note 9.1.

3.3 Grants and subsidies

	2016 $'000	2015 $'000
Housing grants		
Private housing programs	30,435	26,483
Aboriginal and Torres Strait Islander housing	63,645	78,042
Social rental housing	6,758	3,380
Other	1,259	6,902
Donated non-current physical assets	145	-
Other grants and subsidies	1,836	1,761
Total	104,078	116,568

3.4 Other expenses

	2016 $'000	2015 $'000
Deferred appropriation payable to Consolidated Fund	-	16,431
Insurance premiums - Queensland Government Insurance Fund	14,837	13,335
Insurance premiums - other	4,211	4,707
External audit fees*	900	979
Losses:**		
Buildings subject to insurance	1,731	1,221
Special payments:***		
Court awarded damages	2	-
Ex-gratia payments - payments to former Core Agreement employees	33	-
Ex-gratia payments - other	33	16
Other	1,275	1,610
Total	23,022	38,299

* Total audit fees quoted by the Queensland Audit Office relating to the 2015-16 financial statements are $0.900 million (GST exclusive) (2015 actual audit fees $0.942 million). No non-audit services were provided.

** Certain losses of public property are insured with the Queensland Government Insurance Fund (QGIF). The claims made in respect of these losses have yet to be assessed by QGIF, and the amount recoverable cannot be estimated reliably at reporting date. Upon notification by QGIF of the acceptance of a claim, revenue will be recognised for the agreed settlement amount. For each accepted claim the department is liable for the first $10,000, being the insurance excess.

3.4 Other expenses (continued)

*** Special payments include ex-gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. The total of all special payments includes those disclosed within Supplies and services (Note 3.1).

Special payments during 2015-16 include one payment over $5,000 for repairs to a Rental Purchase Plan property to rectify a fault that posed a safety risk to the client.

As part of the settlement offer to finalise negotiations for the State Government Entities Certified Agreement 2015, an undertaking was made that a Section 831 one-off payment of $1,300 (or pro-rata) would be extended to those employees who resigned, retired or otherwise moved to other employment arrangements after 1 April 2016, but before the agreement was certified on 1 June 2016. These amounts are included in special payments in 2015-16.

4 ASSETS

4.1 Property, plant and equipment

	2016 $'000	2015 $'000
Land: at fair value	9,698,570	9,380,407
Buildings: at fair value	6,927,970	7,116,666
Leased assets: at fair value		
Gross	1,376,638	1,296,185
Less accumulated depreciation	(437,471)	(432,421)
	939,167	863,764
Plant and equipment: at cost		
Gross	372,496	375,867
Less accumulated depreciation	(112,732)	(127,398)
	259,764	248,469
Infrastructure: at fair value		
Gross	301,941	290,704
Less accumulated depreciation	(82,275)	(75,621)
	219,666	215,083
Heritage and cultural assets: at fair value		
Gross	100,005	37,380
Less accumulated depreciation	(59,915)	(1,188)
	40,090	36,192
Work in progress: at cost	122,413	96,194
Total	18,207,640	17,956,775

4.1 Property, plant and equipment (continued)

Property, plant and equipment reconciliation

	Land $'000	Buildings $'000	Leased assets $'000	Plant and equipment $'000	Infrastructure $'000	Heritage and cultural assets $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July 2014	8,949,236	6,820,166	837,322	221,904	187,559	32,718	147,614	17,196,519
Transfers from other Queensland Government entities	183,856	382,236	-	324	-	-	-	566,416
Transfers to other Queensland Government entities	-	-	-	(5)	-	-	(53,881)	(53,886)
Acquisitions	19,133	92,955	20,764	118,864	-	58	128,923	380,697
Transfers between classes	(191)	45,758	76,904	7,305	(10,045)	2,094	(121,825)	-
Transfers to inventories	-	-	-	(60,400)	-	-	-	(60,400)
Disposals	(1,389)	(1,231)	(1,515)	(774)	-	-	(4,637)	(9,546)
Assets reclassified as held for sale	(65,508)	(23,431)	-	-	-	-	-	(88,939)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	295,270	-	(47,154)	-	40,891	1,699	-	290,706
Net revaluation increments/(decrements) recognised in operating result	-	(19,536)	-	-	-	-	-	(19,536)
Depreciation	-	(179,853)	(22,557)	(39,000)	(3,322)	(377)	-	(245,109)
Other adjustments	-	(398)	-	251	-	-	-	(147)
Carrying amount at 30 June 2015	9,380,407	7,116,666	863,764	248,469	215,083	36,192	96,194	17,956,775
Carrying amount at 1 July 2015	9,380,407	7,116,666	863,764	248,469	215,083	36,192	96,194	17,956,775
Transfers from other Queensland Government entities	10	650	-	-	-	-	-	660
Transfers to other Queensland Government entities	(1,836)	(333)	-	(204)	-	-	-	(2,373)
Acquisitions	42,881	103,947	4,773	98,308	-	50	178,748	428,707
Transfers between classes	(156)	59,933	85,042	114	-	7,396	(152,329)	-
Transfers to inventories	-	-	-	(46,652)	-	-	-	(46,652)
Disposals	(1,739)	(3,539)	(1,295)	(93)	-	-	(200)	(6,866)
Assets reclassified as held for sale	(89,833)	(35,076)	-	-	-	402	-	(124,507)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	368,836	-	11,008	-	8,152	(3,066)	-	384,930
Net revaluation increments/(decrements) recognised in operating result	-	(131,342)	-	-	-	-	-	(131,342)
Depreciation	-	(180,396)	(24,125)	(38,969)	(3,569)	(884)	-	(247,943)
Other adjustments	-	(2,540)	-	(1,209)	-	-	-	(3,749)
Carrying amount at 30 June 2016	9,698,570	6,927,970	939,167	259,764	219,666	40,090	122,413	18,207,640

4.1 Property, plant and equipment (continued)

(a) Acquisitions

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

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property, and the present value of the minimum lease payments. The lease liability is recognised at the same amount. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor 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 at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment* .

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

Buildings	$10,000
Leased assets	$10,000
Infrastructure	$10,000
Heritage and cultural	$5,000
Plant and equipment	$5,000
Land	$1

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

Subsequent expenditure that increases the originally assessed service potential or useful life of an asset is capitalised to the value of that asset. Maintenance expenditure that merely restores original service potential (arising from ordinary wear and tear) is expensed.

Land improvements undertaken by the department are included with buildings.

(b) Measurement

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value as required by Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector.* These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable.

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

Plant and equipment is measured at cost in accordance with the *Non-current Asset Policies for the Queensland Public Sector* . The carrying amounts are not materially different from their fair value. Capital works in progress are measured at their acquisition cost or construction cost.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment

Land, buildings, infrastructure and heritage and cultural assets are revalued on an annual basis, either by specific appraisals undertaken by an independent professional valuer or internal expert or by the use of appropriate and relevant indices.

The department has a Property Asset Management Committee (of which the Chief Finance Officer is a member) that oversees the valuation process undertaken by Housing Services, Queensland Government Accommodation Office and Government Employee Housing units. These units determine the specific revaluation practices and procedures. Each unit has a separate committee to provide detailed oversight of their revaluation practices, reports and outcomes arising from each annual review.

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. All assets are valued at highest and best use, which is generally consistent with current use.

All assets measured at fair value are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

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

For assets revalued using a cost valuation approach (e.g. current/depreciated replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'.

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

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.

When an asset is derecognised, any revaluation surplus included in equity in respect of that asset is not transferred to accumulated surplus.

(i) Social housing

Fair value is primarily determined by establishing current market value from the sale prices of comparable properties as there are usually active and liquid residential property markets which provide sufficient applicable sales evidence. The revaluation framework for social housing assets has been developed in recognition of the large number, homogenous nature, location and density of the property portfolio.

As at 30 June 2016, the department revalued its social housing properties by dividing the state into geographical regions and homogenous groups within each region according to certain criteria (including number of bedrooms, condition, previous value, age of property, building type). Properties were sampled for specific appraisal from groups where the department owns its highest proportion of properties and where there is adequate market depth to determine fair value. In 2015-16 25.07% (2014-15 25.4%) of properties were specifically appraised. Valuations that resulted in significant movements (+ or - 20% or greater than $1 million) were reviewed by the department for reasonableness against external market information.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment (continued)

(i) Social housing (continued)

Following the specific appraisals of the representative sample of properties, separate indices were calculated for assets within each region using the mean of the ratios of the previous year’s values to the current year's values. To ensure the integrity of the valuation results used to derive the indices, the department used two independent valuers to provide specific appraisals for different properties within the sample for that region. Properties with similar characteristics were given to each valuer. The mean of the test valuations provided by the second valuation firm must be within one standard deviation (+ or -) of the mean of the valuations provided by the primary valuation firm, and the relative standard error rate ≤ 4%, before the indices are accepted.

The indices were subsequently applied to properties across each region not specifically appraised, in order to derive current market values. An analysis performed by the department has indicated that on average, the variance between an indexed asset value and the valuation by an independent valuer when performed on a rotational basis is not significant, and the department’s indices are sound.

Every five years, the sample is increased to further test the robustness of the index calculation process, and to provide greater coverage of the property portfolio by specific appraisal. The increased sample size was last used in 2011-12 to provide for this precision.

Specific appraisals of land are undertaken at the same time as the related building revaluations are performed.

The most significant inputs into the valuations were location, bedroom count, price per square metre (units generally), land size (detached houses generally), condition and a discount factor applied to accommodation in recognition of no strata title. Under the fair value hierarchy there are two inputs categorised as unobservable - condition of the property and the discount applied to some multi-unit properties without strata title on individual units.

The condition rating of the properties is supplied to the valuer as part of the valuation kit. The condition rating of the properties does not result in a significant adjustment to the valuations as the department’s renewal policy requires properties to be maintained to a satisfactory standard, with property condition assessed at least once every three years by internal inspection.

The discounts applied to some multi-unit residential properties where there is no strata title for individual units results in adjustments to the level two inputs that are significant to the fair value measurement, and those buildings become subject to level three hierarchy disclosures. Where single title (i.e. not strata title) exists over multi-unit properties, an adjustment is made to reflect the required costs for strata title.

Key assumptions : The following assumptions were made in relation to the valuation of social housing properties:

- All assets were valued at highest and best use. There were no assets valued where it was assumed that the highest and best use was other than its current use.
- Valuers have made the assumption that the data provided by the department is current and a true reflection of the characteristics of each property, e.g. number of bedrooms and property size.
- Valuers have assumed that all properties are in sound condition with no essential repairs required, or have assumed that the condition of the exterior is consistent with the interior of the building.
- Where recent sales for comparable properties were limited, valuers have assessed market value with reference to older sales in the area, sales in comparable areas or have applied an income approach.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment (continued)

(ii) Leased assets - buildings on Deed of Grant in Trust (DOGIT) land

Leased assets are acquired under 40 year finance leases with a number of Aboriginal and Torres Strait Islander councils to facilitate the construction and/or refurbishment of properties on communal land in accordance with the National Partnership Agreement on Remote Indigenous Housing, entered into between the Australian Government and the Queensland Government.

The properties are initially recognised at the present value of the minimum lease payments (lease payments are approximately $2,800 per year, per dwelling), which is lower than the fair value of the leased property. The department then immediately revalues these assets to fair value using management valuations based on council valuations.

Leased assets subsequently receive a specific appraisal in the year following execution of the lease. All assets are specifically appraised at least once every five years on a rolling basis. Indices provided by independent valuers, are applied for the intervening years. As at 30 June 2016, Herron Todd White performed specific appraisals or supplied indices. As there is no active market for buildings on DOGIT land the depreciated replacement cost approach is used. Depreciated replacement cost reflects the current cost that would be required to replace the service capacity of the asset as it currently exists. The cost is estimated to be the amount that would be incurred by a market participant to acquire or construct a substitute asset, adjusted for comparable utility and obsolescence.

(iii) Government employee houses

Fair value for Queensland Government employee houses is determined by establishing market value, primarily by the direct comparison method of valuation, or by indexation. There are usually active and liquid residential property markets which provide sufficient applicable sales evidence. Where there is no active and liquid market for assets, fair value is the depreciated replacement cost. Where properties are indexed a number of indices are used depending on the location:

- indices supplied by a registered valuer
- indices applied to social housing properties
- indices applied to Deed of Grant in Trust properties.

(iv) Commercial properties

As at 30 June 2016 commercial properties were either specifically appraised by independent valuers or indexed using either Rawlinson's building price index, an index provided by State Valuation Services for Brisbane CBD or Near City Capital Value Index provided by the Investment Property Databank (IPD). These properties are specifically appraised on a rolling basis every two to four years, using a combination of market, income and cost-based approaches. Specific appraisals are procured annually in volatile property market conditions.

Direct comparison, capitalisation or discounted cash flow approaches, involving or a combination of these approaches. Key inputs for valuation methods include sale prices, square metre of land or building area, capitalisation rates, rent rates, discount rates, operating expense rates per square metre and lease terms. These measures are influenced by market supply and demand dynamics. Building characteristics, such as size, grade and condition as well as functional, physical and economic obsolescence factors were also determinants considered by the valuers in assessing values. Valuers are required to maximise the use of observable property market evidence in determining values. In localities with adequate market activity, valuation methods are adopted that have direct reference to recent sales evidence of comparable properties.

Some localities, particularly remote areas, lack sufficient market activity to derive building values directly from sales evidence. Also, the specialised nature of some assets, such as convention centres and other purpose built structures, do not have an active market. Fair value for these assets has been assessed using the depreciated replacement cost methodology.

Land values were assessed by the valuers having regard to market evidence of recent and relevant land sales. Land location, size, shape, elevation, accessibility, zoning and development potential were aspects considered in determining land values. Physical, legal and statutory constraints, such as heritage listings, easements, flooding and environmental, were also considered by the valuers.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment (continued)

(v) Infrastructure

The infrastructure assets comprise Roma Street Parkland improvements, the Goodwill Bridge and the Kurilpa Bridge. Fair value for the infrastructure assets is assessed using depreciated replacement cost due to the lack of market sales evidence for such assets. All assets were valued at highest and best use.

Infrastructure assets are specifically appraised at least every four years, using independent experts. They were subject to specific appraisal at 30 June 2015 by Taylor Byrne taking into account useful life, age, condition and functionality. Quantity surveyors assessed the replacement cost for Taylor Byrne. The valuer's assumptions for the infrastructure assets include:

- the property complies with all statutory requirements with respect to health, building, town planning and fire safety regulations
- a detailed structural survey would not reveal defects, and
- improvements are sited within title boundaries and without encroachment.

At 30 June 2016 a bridge index of 3.5% was provided by valuation firm Taylor Byrne, based on advice from internal quantity surveyors analysing the construction costs of the various components of the bridges and then applying the cost movements against the relevant proportions of the original project estimate.

The parkland was indexed using the Rawlinson's Brisbane building price index of 4.5%.

(vi) Heritage and cultural assets

Fair value for the department's heritage and cultural buildings is assessed based on relevant market evidence for similar assets. In localities where there is insufficient sales activity to derive market-based valuations, the buildings are valued using the depreciated replacement cost and reproduction cost methods. This is also the case for unique or highly specialised buildings for which there is no comparable property market evidence. Properties are specifically appraised every four years unless there is an indication that more frequent revaluation is required.

All heritage properties, except for one which was specifically appraised, were indexed at 30 June 2016 using either:

- a location specific market index (various) provided by the State Valuation Service
- Brisbane CBD Capital Value Index (3.3%) provided by Investment Property Databank or
- Rawlinson's building price index (4.5%) for properties valued using depreciated replacement cost.

These properties were last specifically appraised as at 30 June 2014 by the firm DTZ.

(d) Asset revaluation surplus by class

	Land $'000	Buildings $'000	Leased assets $'000	Infrastructure $'000	Heritage and cultural assets $'000	Total $'000
Balance at 1 July 2014	868,208	-	309,127	62,861	6,520	1,246,716
Net revaluation increments/(decrements)	295,270	-	(47,154)	40,891	1,699	290,706
Balance at 30 June 2015	1,163,478	-	261,973	103,752	8,219	1,537,422
Balance at 1 July 2015	1,163,478	-	261,973	103,752	8,219	1,537,422
Net revaluation increments/(decrements)	368,835	-	11,008	8,152	(3,065)	384,930
Balance at 30 June 2016	1,532,313	-	272,981	111,904	5,154	1,922,352

4.1 Property, plant and equipment (continued)

(e) Fair value measurement

Categorisation of fair values recognised as at 30 June 2016

	Level 2 $'000		Level 3 $'000		Total $'000	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Buildings						
- social housing	2,791,947	2,908,662	2,851,117	2,869,432	5,643,064	5,778,094
- government employee housing	440,714	472,877	29,485	29,070	470,199	501,947
- commercial	521,224	545,498	293,483	291,127	814,707	836,625
Total buildings	3,753,885	3,927,037	3,174,085	3,189,629	6,927,970	7,116,666
Land						
- social housing	8,646,071	8,439,350	-	-	8,646,071	8,439,350
- government employee housing	177,487	234,766	-	-	177,487	234,766
- commercial	875,012	706,291	-	-	875,012	706,291
Total land	9,698,570	9,380,407	-	-	9,698,570	9,380,407
Infrastructure	-	-	219,666	215,083	219,666	215,083
Heritage and cultural assets	19,064	16,793	21,026	19,399	40,090	36,192
Total	13,471,519	13,324,237	3,414,777	3,424,111	16,886,296	16,748,348

Level 3 fair value reconciliation

	Buildings $'000	Infrastructure $'000	Heritage and cultural assets $'000	Total $'000
Carrying amount at 1 July 2014	3,123,034	187,559	15,956	3,326,549
Transfers from other Queensland Government entities	22,609	-	-	22,609
Acquisitions	31,966	-	58	32,024
Transfers between classes	30,233	(10,045)	1,893	22,081
Disposals	(15)	-	-	(15)
Assets reclassified as held for sale	(120)	-	-	(120)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	-	40,891	1,699	42,590
Net revaluation increments/(decrements) recognised in operating result	45,584	-	-	45,584
Depreciation	(63,662)	(3,322)	(207)	(67,191)
Carrying amount at 30 June 2015	3,189,629	215,083	19,399	3,424,111
Carrying amount at 1 July 2015	3,189,629	215,083	19,399	3,424,111
Transfers from level 3 into level 2	(2,698)	-	-	(2,698)
Transfers into level 3 from level 2	2,112	-	-	2,112
Transfers from other Queensland Government entities	45	-	-	45
Acquisitions	24,686	-	49	24,735
Transfers between classes	48,727	-	3,670	52,397
Disposals	(758)	-	-	(758)
Assets reclassified as held for sale	(100)	-	-	(100)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	-	8,152	(1,635)	6,517
Net revaluation increments/(decrements) recognised in operating result	(17,830)	-	-	(17,830)
Depreciation	(69,728)	(3,569)	(457)	(73,754)
Carrying amount at 30 June 2016	3,174,085	219,666	21,026	3,414,777

The department's policy is to recognise transfers between hierarchy levels at 30 June on the basis of information provided by independent valuers.

4.1 Property, plant and equipment (continued)

(e) Fair value measurement (continued)

Level 3 significant valuation inputs

Asset class	Type of significant unobservable inputs
Buildings	Discounts for non-strata title units. This represents the cost of obtaining strata title to sell.
Infrastructure	Infrastructure replacement costs are on a per component basis. Remaining useful lives.
Heritage and cultural assets	Building replacement/ reproduction cost rates. Remaining useful lives. Capitalisation rates. Discount rates.

(f) Impairment

Property, plant and equipment 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. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(g) Depreciation

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

Buildings, infrastructure, 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 progressively over its estimated useful life to the department.

Any subsequent 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.

Buildings subject to finance leases (leased assets) are depreciated on a straight-line basis over the term of the lease, which is shorter than the useful life of the building.

Assets under construction (work-in-progress) are not depreciated until they reach their service delivery capacity. Service delivery capacity relates to when 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 of property, plant and equipment.

<u>*Key estimate:*</u> For each class of asset the following depreciation rates are used:

Buildings	1% to 7%
Leased assets	2.5%
Infrastructure	From 1% to 13% in accordance with useful life of components
Heritage and cultural assets	1% to 7%
Plant and equipment	3% to 75%

Remaining useful lives are reviewed annually. Where remaining useful lives require modification, the depreciation expense changes from the date of assessment until the end of the useful life (for both current and future years). The estimation of useful lives requires management judgement in assessing the condition of the building.

<u>*Key judgement:*</u> A key strategic asset management principle of the department is the efficient and effective maintenance and upgrade of social housing properties to optimise the useful lives of assets. Property condition is assessed at least once every three years by internal inspection. This results in a condition rating being assigned, and informs future maintenance and upgrade activities. A property that is ready for demolition has a condition rating of one and a property that is like new has a condition rating of ten. Management has assessed that where 95% of social housing buildings have a condition rating greater than eight, this supports the annual revision of the remaining useful life for social housing buildings to 50 years.

4.1 Property, plant and equipment (continued)

(h) Queen's Wharf Precinct

On 16 November 2015 the Queensland Government entered into contractual arrangements with the Destination Brisbane Consortium (‘the Consortium') to redevelop the Queen’s Wharf Precinct in the centre of Brisbane into an Integrated Resort Development (‘the IRD Project’). The redevelopment area is located between the Brisbane River and George Street, and between Alice and Queen Streets (‘the IRD Precinct’).

These contractual obligations are subject to a number of conditions which need to be satisfied before the Consortium is granted access to the IRD Precinct. The Queensland Government expects access to the IRD Precinct will be granted by January 2017, and the IRD Project to be completed from 2022.

The Department of Housing and Public Works is the current owner of land and buildings within the IRD Precinct. As at 30 June 2016 the land in the precinct has been valued at market value, with highest and best use assessed by management as consistent with current and surrounding land use. Buildings were last independently revalued using an income approach as at 30 June 2014, with the fair value and remaining useful life assessed by management at 30 June 2016 to reflect the expected utilisation of the buildings. As at 30 June 2016, the carrying value of the land and buildings within the IRD Precinct was $274.273 million.

(i) Long-term Community Housing Program

The department’s Long-term Community Housing Program aims to deliver long-term rental housing that is secure, appropriate and affordable, for persons whose needs are not adequately met by other housing options. Under this program the department may provide grants of property or monetary assistance to community housing providers. Grant funding is provided for the construction, purchase or upgrade of dwellings and community housing providers may also contribute land and funding for the dwellings. The terms and conditions of the grant funding are contained in Agreements entered into between the State and the provider. Legal title to dwellings funded under this program may be held by the provider or the department. As at 30 June 2016, the department had provided funding in relation to 3,432 properties under this program where title is held by the provider. Due to the fact that the department does not have sole control of these assets, and they are not material, these assets are not disclosed as department assets.

4.2 Loans and receivables

	2016 $'000	2015 $'000
Current		
Trade debtors	94,622	129,883
Less: allowance for impairment loss	(830)	(1,584)
	93,792	128,299
Rental bond loans	29,846	27,624
Less: allowance for impairment loss	(12,417)	(10,651)
	17,429	16,973
Social housing debtors - rent and maintenance	39,980	34,596
Less: allowance for impairment loss	(28,930)	(24,581)
	11,050	10,015
Annual leave reimbursements	4,139	4,896
Long service leave reimbursements	1,209	1,562
Housing loans	4,835	4,596
Appropriation revenue receivable	3,540	-
Finance lease receivable	1,322	1,323
Deferred operating lease rent	5,945	5,018
Other debtors	122	3,509
Less: allowance for impairment loss	(46)	(100)
	76	3,409
Total current loans and receivables	143,337	176,091
Non-current		
Rental bond loans	7,457	6,902
Less: allowance for impairment loss	(3,104)	(2,663)
	4,353	4,239
Deferred operating lease rent	62,748	51,645
Housing loans	24,871	29,887
Finance lease receivable	38,828	40,262
Logan Renewal Initiative advance	3,500	3,500
Total non-current loans and receivables	134,300	129,533

Loans and receivables (excluding deferred operating lease rent which is recognised on a straight-line basis) are measured at amortised cost which approximates their fair value at reporting date. Loans and receivables are recognised at the amount due at the time of sale or service delivery with the exception of housing loans, which reflect the monies lent, plus interest and other costs, less repayments from borrowers. Settlement of trade and other debtors is generally required within 30 days from invoice date. Bond loan terms range from 18 to 30 months. Original housing loan terms range from 15 to 25 years on average.

Impairment

The collectability of loans and receivables is periodically assessed with an allowance being made for impairment where required. Portfolios of homogenous loands and receivables are assessed for impairment on a collective basis. The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in payment of a debt to the department. Loans and receivables that are determined to be uncollectable (after an appropriate range of debt recovery actions) are deducted from the relevant allowance for impairment.

If no loss events have arisen in respect of a particular group of debtors, no allowance for impairment is made in respect of that group. If the department determines that an amount owing by such a debtor does become uncollectable, the amount is recognised as a bad debt expense and written-off directly against loans and receivables.

All known bad debts were written-off as at 30 June.

4.2 Loans and receivables (continued)

Movements in allowance for impairment loss

Current	Trade debtors $'000	Rental bond loans $'000	Social housing debtors $'000	Other debtors $'000	Total $'000
Balance at 1 July 2014	1,876	9,376	16,188	132	27,572
Increase in allowance recognised in operating result	(251)	1,750	9,349	(3)	10,845
Amounts written-off during the year	(41)	(475)	(956)	(29)	(1,501)
Balance at 30 June 2015	1,584	10,651	24,581	100	36,916
Balance at 1 July 2015	1,584	10,651	24,581	100	36,916
Increase in allowance recognised in operating result	12	1,952	4,537	(31)	6,470
Amounts written-off during the year	(766)	(186)	(188)	(23)	(1,163)
Balance at 30 June 2016	830	12,417	28,930	46	42,223

Non-current	Rental bond loans $'000
Balance at 1 July 2014	2,344
Increase in allowance recognised in operating result	438
Amounts written-off during the year	(119)
Balance at 30 June 2015	2,663
Balance at 1 July 2015	2,663
Increase in allowance recognised in operating result	488
Amounts written-off during the year	(47)
Balance at 30 June 2016	3,104

4.3 Inventories

	2016 $'000	2015 $'000
Inventory held for resale		
Construction work in progress*	38,345	48,028
Motor vehicles	4,925	5,522
Land	-	2,678
Finished goods	239	217
	43,509	56,445
Raw materials	37	44
Total	43,546	56,489
*Construction work in progress comprises:		
Contract costs incurred to date	87,952	95,575
Profit recognised to date	20,525	18,553
Less: Allowance for foreseeable losses	(230)	(102)
Less: Progress billings	(69,902)	(65,998)
	38,345	48,028

Inventories are valued at the lower of cost and net realisable value.

Key estimate: Construction work in progress related to projects managed by Building and Asset Services is carried at cost plus profit recognised to date, based on an estimation of the value of work completed, less progress billings and less any allowance for foreseeable losses. An allowance for the total loss on a contract is made as soon as the loss is identified.

Costs include both variable and fixed costs directly related to specific contracts, and those which can be attributed to contract activity in general and allocated to specific contracts on a reasonable basis. Also included are costs expected to be incurred under penalty clauses and rectification provisions.

4.4 Financial assets at fair value through profit or loss

	2016 $'000	2015 $'000
Current	4,000	4,000
Non-current	186,927	188,389
	190,927	192,389

The department has two housing products which are classified as financial assets at fair value through profit or loss, being Rental Purchase Plan and Pathways Shared Equity.

Under a Rental Purchase Plan agreement, clients obtain a loan from the department for the purchase of a part share in a home and pay monthly instalments which include both a loan repayment (including interest) and a rent component. Under the Pathways Shared Equity Program, clients obtain a loan from the department for the purchase of a share in a property they are currently renting from the department. Clients pay monthly loan repayments to the department.

Loans provided under the loan agreements for these products are disclosed as housing loans receivable.

Key judgement : The department has made a judgement that it does not have effective control of properties subject to these agreements, but rather that its interest in the properties meets the definition of a financial instrument.

The department’s interest in the properties is designated upon initial recognition as financial assets at fair value through profit or loss. Fair value is based on the net market value of the department's proportion of the underlying properties.

Key judgement : The department has made the judgement that this measurement basis is the most reliable estimate of fair value given the inherent uncertainties associated with estimating future cash flows for these assets under the discounted cash flow valuation approach. Based on long-term averages of property growth and rental income, it is expected that the fair value of the department’s interest in the properties will be recovered through future sales and, in the case of Rental Purchase Plan properties only, rental income, taking into account the time value of money. The properties are revalued each year by independent valuers based on market value through direct comparison.

The department’s interest in Rental Purchase Plan and Pathways Shared Equity properties is classified as non-current financial assets at fair value through profit or loss, except for those properties that are expected to be repossessed by the department or sold or refinanced by clients within the next 12 months. These properties are disclosed as current assets.

4.5 Non-current assets classified as held for sale

	2016 $'000	2015 $'000
Land	49,972	38,365
Buildings	12,279	7,773
Total	62,251	46,138

Non-current assets held for sale consist of those assets that management has determined are available for immediate sale in their present condition, for which their sale is highly probable within the next twelve months.

The assets are measured at the lower of their carrying amount and their fair value less costs to sell. Any write-down to fair value less costs to sell is a non-recurring valuation. The write-down is recognised as an impairment loss expense. These assets are no longer depreciated upon being classified as held for sale.

These assets consist of social housing, government employee housing and commercial properties to be sold in line with ongoing portfolio management strategies to ensure the alignment of cost-effective and suitable properties with client needs in specific locations. These sales are generally achieved by listing the properties on the open market, but may also be negotiated directly with prospective purchasers (e.g. another Queensland Government agency or community organisation) or existing tenants.

The technique to determine fair value less costs to sell for land and buildings is consistent with the technique used for the department’s social housing, government employee housing and commercial properties (i.e. market and income approaches) and so the valuation represents a level two measurement. Refer to Note 4.1 for further details about the valuation of land and buildings.

5 LIABILITIES

5.1 Payables

	2016 $'000	2015 $'000
Current		
Trade creditors	148,011	168,921
Grants and subsidies payable	35,516	32,158
Deferred appropriation payable to Consolidated Fund	-	16,431
Equity adjustment payable	6,493	23,292
Dividends	8,335	8,258
Deferred operating lease rent	6,264	5,662
Other	1,520	1,205
GST payable	20,715	22,702
GST input tax credits receivable	(15,633)	(19,744)
Net GST payable	5,082	2,958
Total	211,221	258,885
Non-current		
Deferred operating lease rent	65,166	54,890
Total	65,166	54,890

Trade creditors are recognised upon receipt of the goods or services ordered, and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

The department recognises as payable those dividends declared on, or before, the reporting date, in relation to the profit of the commercialised business units. The entire amount remaining undistributed at the reporting date is recognised.

5.2 Interest-bearing liabilities

	2016 $'000	2015 $'000
Current		
Australian Government borrowings	14,517	14,231
Queensland Treasury Corporation borrowings	2,355	12,004
Finance lease liability	1,231	1,406
Total current interest-bearing liabilities	18,103	27,641
Non-current		
Australian Government borrowings	308,465	322,982
Queensland Treasury Corporation borrowings	157,558	139,396
Finance lease liability	110,325	136,169
Total non-current interest-bearing liabilities	576,348	598,547

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, and then subsequently held at amortised cost using the effective interest method.

There are no material differences between the carrying amount and fair value of borrowings except for Australian Government borrowings which have a fair value of $481.753 million as at 30 June 2016 compared to a carrying amount of $322.982 million (2015: fair value of $373.983 million and carrying amount of $337.213 million). The fair value of these borrowings is notified by the Queensland Treasury Corporation and is calculated using discounted cash flow analysis and is classified as a level three fair value in the fair value hierarchy.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise.

Interest rates on Queensland Treasury Corporation borrowings range from 2.1% to 6.3% (2015 2.2% to 6.3%) and on Australian Government borrowings from 3.5% to 6% (2015 3.5% to 6%).

	2016 $'000	2015 $'000

5.2 Interest-bearing liabilities (continued)

At 30 June 2016, overdraft facilities with the Commonwealth Bank and Queensland Treasury Corporation were in place under the Queensland Treasury cash management incentives regime. These facilities remained undrawn as at that date and are available for future use. Limits range from $25 million to $50 million (2015 $25 million to $50 million).

Finance lease liabilities

Future minimum lease payments are payable as follows:

	2016 $'000	2015 $'000
Not later than one year	6,150	7,534
Later than one year and not later than five years	24,598	30,136
Later than five years	193,447	244,655
	224,195	282,325
Less future finance charges	(112,639)	(144,750)
Total	111,556	137,575

The present value of finance lease liabilities is as follows:

	2016 $'000	2015 $'000
Not later than one year	6,150	7,534
Later than one year and not later than five years	21,968	26,854
Later than five years	83,438	103,187
Total	111,556	137,575

The department has entered into a number of land and building finance leases with councils in remote Aboriginal and Torres Strait Islander communities to facilitate new social housing and housing upgrades. Each lease has a life of 40 years with an option exercisable by the department to renew for another 40 years included in the lease contract. The leases have no purchase options.

In respect of these leases, contingent rent of $4.618 million (2015 $0.539 million) was recognised as an expense. This consisted of annual CPI adjustments to lease payments and property rates payable under the lease agreements.

Refer to Note 4.1(a) for further information on the recognition of lease liabilities.

5.3 Unearned revenue

	2016 $'000	2015 $'000
Current		
Construction contracts	45,782	68,064
Rent	20,286	16,002
Finance lease revenue	1,322	1,323
Other	18,481	8,437
Total	85,871	93,826
Non-current		
Finance lease revenue	31,742	33,065
Total	31,742	33,065

	2016	2015
	$'000	$'000

6 EQUITY

6.1 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 during the reporting and comparative years and are disclosed in the Statement of Changes in Equity:

- appropriations for equity adjustments (refer to Note 6.2)
- non-appropriated equity adjustments
- non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes.

6.2 Appropriations recognised in equity

Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity

	2016 $'000	2015 $'000
Budgeted equity adjustment appropriation	180,881	67,017
Lapsed equity adjustment	(138,212)	(101,878)
Equity adjustment receipts (payments)	42,669	(34,861)
Less: Opening balance of equity adjustment receivable	-	(4,438)
Plus: Opening balance of equity adjustment payable	23,292	-
Less: Closing balance of equity adjustment payable	(6,493)	(23,292)
Equity adjustment recognised in contributed equity	59,468	(62,591)

7 BUDGET TO ACTUAL COMPARISON

On 8 December 2015, the Office of the Queensland Government Architect was transferred to the Department of Infrastructure, Local Government and Planning. As required by Queensland Treasury policy under such circumstances, the budget figures used in this comparison represent the Adjusted Budget figures for the financial year, as published in the latest Service Delivery Statement tabled in Parliament. The adjustments were not material.

STATEMENT OF COMPREHENSIVE INCOME	**Variance notes**	**Adjusted budget 2016 $'000**	**Actual 2016 $'000**	**Variance $'000**	**Variance % of budget**
INCOME FROM CONTINUING OPERATIONS					
User charges and fees		1,507,428	1,538,807	31,379	2
Appropriation revenue	1	679,857	620,184	(59,673)	(9)
Grants and other contributions		5,716	7,866	2,150	38
Interest		4,168	2,722	(1,446)	(35)
Other revenue		23,855	64,739	40,884	171
Total revenue		2,221,024	2,234,318	13,294	1
Gains on disposal/remeasurement of assets		3,398	9,383	5,985	176
Total income from continuing operations		2,224,422	2,243,701	19,279	1
EXPENSES FROM CONTINUING OPERATIONS					
Supplies and services		1,544,589	1,535,379	(9,210)	(1)
Employee expenses		302,690	297,800	(4,890)	(2)
Depreciation and amortisation		236,626	253,097	16,471	7
Grants and subsidies	2	153,367	104,078	(49,289)	(32)
Finance/borrowing costs		28,399	26,261	(2,138)	(8)
Revaluation decrement	3	-	131,342	131,342	-
Impairment losses		9,551	13,409	3,858	40
Other expenses		16,430	23,022	6,592	40
Total expenses from continuing operations		2,291,652	2,384,388	92,736	4
Operating result from continuing operations before income tax		(67,230)	(140,687)	(73,457)	109
Income tax benefit/(expense)		(4,105)	(7,150)	(3,045)	74
Operating result from continuing operations after income tax		(71,335)	(147,837)	(76,502)	107
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to operating result					
Increase/(decrease) in asset revaluation surplus	4	-	384,930	384,930	-
Total other comprehensive income		-	384,930	384,930	-
Total comprehensive income		(71,335)	237,093	308,428	(432)

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

BALANCE SHEET

	Variance notes	Adjusted budget 2016 $'000	Actual 2016 $'000	Variance $'000	Variance % of budget
CURRENT ASSETS					
Cash and cash equivalents	5	293,559	406,901	113,342	39
Loans and receivables	6	186,685	143,337	(43,348)	(23)
Inventories		49,473	43,546	(5,927)	(12)
Prepayments		46,245	37,670	(8,575)	(19)
Financial assets at fair value through profit or loss		4,000	4,000	-	-
Current tax assets		-	145	145	-
		579,962	635,599	55,637	10
Non-current assets classified as held for sale		24,676	62,251	37,575	152
Total current assets		604,638	697,850	93,212	15
NON-CURRENT ASSETS					
Property, plant and equipment		18,162,762	18,207,640	44,878	-
Financial assets at fair value through profit or loss		184,833	186,927	2,094	1
Loans and receivables	7	83,655	134,300	50,645	61
Intangible assets		12,105	13,558	1,453	12
Deferred tax assets		3,260	2,204	(1,056)	(32)
Total non-current assets		18,446,615	18,544,629	98,014	1
TOTAL ASSETS		19,051,253	19,242,479	191,226	1
CURRENT LIABILITIES					
Payables	8	178,797	211,221	32,424	18
Interest-bearing liabilities		21,280	18,103	(3,177)	(15)
Unearned revenue		84,114	85,871	1,757	2
Accrued employee benefits		8,945	12,407	3,462	39
Provisions		1,075	36	(1,039)	(97)
Current tax liabilities		1,509	149	(1,360)	(90)
Other current liabilities		8,784	27,246	18,462	210
Total current liabilities		304,504	355,033	50,529	17
NON-CURRENT LIABILITIES					
Interest-bearing liabilities		570,971	576,348	5,377	1
Payables	9	-	65,166	65,166	-
Unearned revenue		31,741	31,742	1	-
Deferred tax liabilities		8,996	13,540	4,544	51
Other non-current liabilities		5,538	5,540	2	-
Total non-current liabilities		617,246	692,336	75,090	12
TOTAL LIABILITIES		921,750	1,047,369	125,619	14
NET ASSETS / TOTAL EQUITY		18,129,503	18,195,110	65,607	-

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

STATEMENT OF CASH FLOWS	**Variance notes**	**Adjusted budget 2016 $'000**	**Actual 2016 $'000**	**Variance $'000**	**Variance % of budget**
CASH FLOWS FROM OPERATING ACTIVITIES					
Inflows:					
User charges and fees		1,501,195	1,561,722	60,527	4
Appropriation receipts	10	679,914	600,213	(79,701)	(12)
GST input tax credits received from Australian Taxation Office	11	279,477	151,253	(128,224)	(46)
GST collected from customers		120,199	121,597	1,398	1
Grants and other contributions		5,716	7,915	2,199	38
Interest receipts		4,180	2,775	(1,405)	(34)
Other		63,308	60,965	(2,343)	(4)
Outflows:					
Supplies and services		(1,584,513)	(1,558,304)	26,209	(2)
Employee expenses		(303,469)	(294,569)	8,900	(3)
GST remitted to Australian Taxation Office	11	(262,524)	(139,984)	122,540	(47)
GST paid to suppliers		(176,460)	(163,429)	13,031	(7)
Grants and subsidies	2	(153,367)	(97,878)	55,489	(36)
Finance/borrowing costs		(28,345)	(26,496)	1,849	(7)
Taxation equivalents		(5,849)	(5,010)	839	(14)
Other		(19,036)	(15,896)	3,140	(16)
Net cash provided by (used in) operating activities		120,426	204,874	84,448	70
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows:					
Sales of property, plant and equipment	12	123,994	110,671	(13,323)	(11)
Loans and advances redeemed		31,822	28,207	(3,615)	(11)
Redemption of other financial assets		4,500	7,272	2,772	62
Outflows:					
Payments for property, plant and equipment	13	(369,454)	(328,918)	40,536	(11)
Payments for intangible assets		-	(312)	(312)	-
Loans and advances made	14	(37,181)	(26,562)	10,619	(29)
Net cash provided by (used in) investing activities		(246,319)	(209,642)	36,677	(15)
CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows:					
Equity injections	15	270,195	143,457	(126,738)	(47)
Borrowings		19,600	20,000	400	2
Outflows:					
Equity withdrawals		(83,353)	(88,930)	(5,577)	7
Borrowing redemptions	16	(20,684)	(25,484)	(4,800)	23
Dividends paid		(7,399)	(8,258)	(859)	12
Finance lease payments		(5,170)	(1,223)	3,947	(76)
Net cash provided by (used in) financing activities		173,189	39,562	(133,627)	(77)
Net increase (decrease) in cash and cash equivalents		47,296	34,794	(12,502)	(26)
Cash and cash equivalents at beginning of financial year		246,263	372,107	125,844	51
Cash and cash equivalents at end of financial year		293,559	406,901	113,342	39

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

Explanations of major variances

Major variances have been assessed as meeting both of the following criteria:

- The line item within the Statement of Comprehensive Income or the Balance Sheet is material (greater than 10%) compared to total income, total expenses, total assets (less property, plant and equipment) or total liabilities, as applicable. The line item within the Statement of Cash Flows is material (greater than 10%) compared to total inflows or total outflows (as applicable) for the relevant cash flow category (i.e. operating/investing/financing).

- The variance between the actual amount and the adjusted budget is greater than 10% except for payments for property, plant and equipment (Statement of Cash Flows) and employee expenses and supplies and services (Statement of Comprehensive Income) where 5% is used.

The department may include as major variances, line items not meeting the above criteria, but which are considered material due to their nature.

Statement of Comprehensive Income

1 *Appropriation revenue*

The decrease of $59.673 million mainly relates to the net deferrals for Housing Services ($53.113 million) of appropriation to future years as agreed with Queensland Treasury. The net deferrals are mainly due to changes in the timing of various Aboriginal and Torres Strait Island housing programs and projects under the National Partnership Agreement on Remote Indigenous Housing ($9.752 million), Deed of Grant in Trust ($10.471 million), and the rural and remote program ($9.160 million), as a result of the complexity of the delivery of work in the remote Aboriginal and Torres Strait Islander communities. Deferrals for homelessness programs ($7.151 million) are mainly due to the phasing of the commencement of a range of initiatives and the phasing of funding for two supported accommodation facilities plus deferrals under the Long-term Housing capital grant program ($4.595 million) due to extended construction milestones for the delivery of a project under this program.

2 *Grants and subsidies*

The decrease of $49.289 million mainly relates to Housing Services grants ($50.737 million) net deferrals from 2015-16 to 2016-17 and outer years for various housing programs due to:

- changes in timing as a result of the complexity of the delivery of work in the remote Aboriginal and Torres Strait Islander communities ($27.367 million)
- delays in achieving agreements with Indigenous Community Housing Organisations for capital project elements, availability of new stock in small communities and the impact of purchases and sales on small housing markets ($11.152 million)
- extended construction milestones for the delivery of a project under the Long-term Housing capital grant program ($4.595 million).

3 *Revaluation decrement*

The department does not budget for movements in the fair value of property, plant and equipment as this is reflective of market movements which cannot be reliably estimated, particularly given the size and diversity of the department's property portfolio.

The decrease of $131.342 million represents decreases in the value of social housing residential buildings ($132.416 million) and residential buildings for the provision of government employee housing ($24.330 million) partially offset by an increase in the value of non-residential buildings ($25.404 million).

The decrease in social housing building values primarily reflects a decline in values in Central Queensland, Mackay and North West Queensland as properties in these regions continue to experience a downward trend primarily due to the ongoing impacts of the mining industry. For the remainder of the state, properties have experienced overall growth – this is largely reflected in land values. The decline in building values is primarily a result of the age and amenity within the department’s detached housing portfolio throughout these areas, comparative to product in the market.

The decrease in government employee housing building values primarily reflects the decline in the value of buildings in areas with proximity to and involvement in the mining industry. The increase in non-residential buildings is mainly due to positive growth across the state in regions where buildings are owned.

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

Explanations of major variances (continued)

Statement of Comprehensive Income (continued)

4 *Increase/(decrease) in asset revaluation surplus*
The department does not budget for movements in the fair value of property, plant and equipment as this is reflective of market movements which cannot be reliably estimated, particularly given the size and diversity of the department's property portfolio.

The increase of $384.930 million principally represents increases in value of social housing residential land ($248.382 million) and non-residential land ($169.600 million) partially offset by a decrease in the value of residential land for the provision of government employee housing ($49.100 million).

The increase in social housing land values primarily reflects increased values in the South East Queensland residential property market and the increase in non-residential land values primarily reflects increased values within the Brisbane Central Business District. The decrease in government employee housing residential land primarily reflects the decline in values of land in areas with proximity to and involvement in the mining industry.

Balance Sheet

5 *Cash and cash equivalents*
The increase of $113.342 million is mainly attributable to higher actual opening balances ($125.844 million), compared to what was estimated in the budget, due to the difference between estimated and actual cash flows for the previous financial year. The remainder of the variance is substantially due to the factors outlined in the explanations of major variances for the Statement of Cash Flows.

6 *Loans and receivables - current*
The decrease in current loans and receivables ($43.348 million) is mainly attributable to:
- lower Building and Asset Services receivables ($40.818 million) due mainly to an increased focus on improving collections from customers during 2015-16 – the budget was based on historical trends for debtor collections. There was also a change in phasing of actual sales which was more evenly distributed throughout the year compared to budget.
- increased receivables due to the ongoing transition from an owned to a leased commercial office portfolio ($5.945 million) with annual rent revenue now being reported on a straight line basis over the term of the lease. The difference between actual rent charged and annual rent revenue results in deferred operating lease rent receivable. The impact of this transition had not been finalised at the time of preparing the original budget.
- lower Housing Services rental receivables ($8.070 million) as the allowance rates for impairment on rental and maintenance debtors were reviewed and increased after the original budget for 2015-16 was finalised.

7 *Loans and receivables - non-current*
The increase of $50.645 million is mainly due to the transition from an owned to a leased commercial office portfolio ($62.748 million) as outlined in Variance Note 6 above. This is partially offset by lower Housing loans ($12.096 million) due to the combined impact of lower actual opening balances and lower new lending activity than budgeted in 2015-16, due to ongoing low client demand.

8 *Payables - current*
The increase of $32.424 million is mainly due to:
- an increase in Building and Asset Services trade creditors ($6.051 million) mainly due to a higher value of supplier invoices received in June compared to budget
- increased payables due to the ongoing transition from an owned to a leased commercial office portfolio ($6.264 million) with annual lease expenditure now being reported on a straight-line basis over the term of the lease. The difference between the actual rent paid and annual rent expenditure results in deferred operating lease rent payable. The impact of this transition had not been finalised at the time of preparing the original budget.
- an increase in approved adjustments and deferrals for various equity appropriation amounts ($6.493 million)
- an increase in payables due to timing of delivery and payment of motor vehicles prior to year end ($2.319 million)
- an increase in the provision for dividend payable for the commercialised business units ($3.551 million) due to higher then estimated profits.

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

Explanations of major variances (continued)

Balance Sheet (continued)

9 *Payables - non-current*
The increase of $65.166 million is due to the transition from an owned to a leased commercial office portfolio, as outlined in Variance Note 8 above.

Statement of Cash Flows

10 *Appropriation receipts*
The decrease of $79.701 million mainly relates to Appropriation revenue net deferrals ($59.730 million) as outlined in Variance Note 1 above and the deferral of appropriation receivable for the National Rental Affordability Scheme ($27.738M), as the grant entitlements are accrued as appropriation revenue in 2015-16 but the funding will not actually be received until early 2016-17.

11 *GST input tax credits received from/remitted to the Australian Taxation Office*
The variance in GST input tax credits received ($128.224 million) is offset against the variance in GST remitted ($122.540 million) resulting in a net decrease of $5.684 million. The net decrease in GST cash flows mainly reflects a lower entitlement to claim GST input credits on transactions relating to Housing Services expenditure on social housing property and tenancy management.

12 *Sales of property, plant and equipment*
The decrease of $13.323 million is mainly due to the decision to defer the sale of non-residential buildings ($29.604 million) partially offset by a net increase in social housing land and building sales ($10.734 million) resulting from strong market conditions in Cairns and South East Queensland.

13 *Payments for property, plant and equipment*
The decrease of $40.536 million is mainly due to the deferral of capital works for social housing and Aboriginal and Torres Strait Islander Housing projects ($33.911 million) due to complexities in delivery, the transfer of funding for various building projects from capital to operating expenditure ($7.200 million) and extending the period for delivery of capital works for the Cairns Convention Centre ($2.780 million) to meet operational requirements. This was partially offset by funding from the Department of Communities, Child Safety and Disability Services ($5.916 million) to deliver two 72 hour crisis shelters in Brisbane and Townsville.

14 *Loans and advances made*
The decrease of $10.619 million is due to lower than expected uptake of Housing Services loan products in 2015-16 as demand is client driven and difficult to predict.

15 *Equity injections*
The decrease of $126.738 million is mainly due to the deferral from 2015-16 to 2016-17 and 2017-18 for the National Partnership Agreement on Remote Indigenous Housing ($131.469 million) to align with the capital program delivery. This is partly offset by the transfer of funding from Department of Communities, Child Safety and Disability Services ($5.897 million) for the delivery of two 72-hour crisis shelters in Brisbane and Townsville.

16 *Borrowing redemptions*
The increase of $4.800 million in borrowing redemptions represents an increase in repayment of borrowings in line with available cash flows.

8 FINANCIAL RISK

8.1 Categorisation of financial instruments

The department has the following categories of financial assets and financial liabilities:

Category	Note	2016 $'000	2015 $'000
Financial assets			
Cash and cash equivalents		406,901	372,107
Loans and receivables at amortised cost*	4.2	208,944	248,961
Financial assets at fair value through profit or loss	4.4	190,927	192,389
Total		806,772	813,457
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables*	5.1	204,957	253,223
Interest-bearing liabilities	5.2		
Australian Government borrowings		322,982	337,213
Queensland Treasury Corporation borrowings		159,913	151,400
Finance lease liability		111,556	137,575
Total		799,408	879,411

* Excludes deferred operating lease rent.

8.2 Financial risk management

Financial risk is managed in accordance with Queensland Government and departmental policy. The department is exposed to a variety of financial risks as outlined below.

(a) Credit risk

The department is exposed to credit risk in respect of its loans and receivables (Note 4.2). The maximum exposure to credit risk at balance date is the gross carrying amount of these assets inclusive of any allowances for impairment.

The department manages credit risk by monitoring all funds owed on a timely basis.

Most loans in the department's housing lending portfolio are secured by a registered first mortgage over the property concerned. Loans under the Rental Purchase Plan scheme are secured through title to the property remaining with the department until the purchase is fully completed under the contract. For loans under the Pathways Shared Equity Program, title to the property is held jointly by the department and the borrower until the purchase is fully completed under the contract.

The credit quality of housing loans that are neither past due nor impaired is considered to be high, due to the low level of arrears, the absence of defaults, and the fact that most of the loans were provided many years ago based on much lower residential property values.

Financial assets past due, but not impaired, are disclosed below:

	Overdue				
	Less than 30 days $'000	30-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
2016 Financial assets past due but not impaired					
Loans and receivables	7,845	2,196	608	4,424	15,073
2015 Financial assets past due but not impaired					
Loans and receivables	15,984	4,550	1,837	5,008	27,379

8.2 Financial risk management (continued)

(b) Liquidity risk

The department is exposed to liquidity risk in respect of its payables (Note 5.1), Australian Government and Queensland Treasury Corporation borrowings and finance lease liabilities (Note 5.2). The department reduces the exposure to liquidity risk by ensuring it has sufficient funds available to meet these obligations as they fall due.

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables will differ from the amounts included in the Balance Sheet where they are based on principal loan amount outstanding or discounted cash flows.

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

	Contractual Maturity Payable In			2016
	<1 year	1-5 years	>5 years	Total
	$'000	$'000	$'000	$'000
Financial liabilities				
Payables*	204,957	-	-	204,957
Interest-bearing liabilities				
Australian Government borrowings	28,866	111,879	342,118	482,863
Queensland Treasury Corporation borrowings	7,712	28,394	150,738	186,844
Finance lease liability	6,150	24,598	193,447	224,195
Total	247,685	164,871	686,303	1,098,859

	Contractual Maturity Payable In			2015
	<1 year	1-5 years	>5 years	Total
	$'000	$'000	$'000	$'000
Financial liabilities				
Payables*	253,223	-	-	253,223
Interest-bearing liabilities				
Australian Government borrowings	29,205	113,411	369,452	512,068
Queensland Treasury Corporation borrowings	17,256	29,183	135,167	181,606
Finance lease liability	7,534	30,136	244,655	282,325
Total	307,218	172,730	749,274	1,229,222

* Excludes deferred operating lease rent.

(c) Market risk

The department's market risk relates to its interest in Rental Purchase Plan and Pathways Shared Equity properties and financial assets and liabilities subject to interest rate risk.

The value of the department's interest in Rental Purchase Plan and Pathways Shared Equity properties is directly related to movements in the residential property market in the respective areas where they are located. Historically between 80% to 86% of the value of the department's interest in these properties is concentrated in the south-east corner of Queensland. Refer to Note 4.4 for information on these properties.

For those financial assets and liabilities subject to interest rate risk, if interest rates change by +/- 1% from the year-end rates, with all other variables held constant, the department would have a surplus and equity increase of $1.231 million (2015 $1.009 million) and a decrease of $1.232 million (2015 $1.011 million). This is attributable to the department's exposure to variable interest rates on borrowings from Queensland Treasury Corporation, cash deposits of the commercialised business units and housing loans. The department manages interest rate risk as per its approach to liquidity risk.

9 OTHER INFORMATION

9.1 Key management personnel disclosures

(a) Details of key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2015-16 and 2014-15. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Director-General

The Director-General is responsible for the efficient, effective and economic administration of the agency.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	CEO Band 4 - Governor-in-Council	3 August 2015	-
Temporary Relieving	Senior Executive Services - Employment Conditions (Directive 14/16)	6 June 2015	2 August 2015
Former	CEO3 - Governor-in-Council	1 November 2012	6 July 2015

Deputy Director-General, Building and Asset Services

The Deputy Director-General, Building and Asset Services, is responsible for the delivery of high quality outcomes under the Queensland Government's capital works and building asset management programs.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	SES4 - *Public Service Act 2008*	18 July 2011	-

Deputy Director-General, Housing Services

The Deputy Director-General, Housing Services, is responsible for the provision of strong, effective and strategic leadership and executive management for program design and delivery for housing and homelessness services in Queensland through remote Indigenous, private and social housing programs.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	SES4 - *Public Service Act 2008*	14 March 2016	-
Temporary Relieving	Senior Executive Services - Employment Conditions (Directive 14/16)	15 February 2016	13 March 2016
Former	s122 Contract (CEO5 equivalent)	20 January 2014	14 February 2016
Temporary Relieving	Senior Executive Services - Employment Conditions (Directive 14/16)	9 June 2015	2 August 2015

Assistant Director-General, Strategic Asset Management

The Assistant Director-General, Strategic Asset Management, is responsible for high level strategic leadership across the public sector in the management and delivery of its property portfolio and capital investment program. The role undertakes a management role in the delivery of government employee housing, fleet management services, office accommodation and other state-owned assets.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	SES3 - *Public Service Act 2008*	4 November 2013	-

Assistant Director-General, Building Industry and Policy

The Assistant Director-General, Building Industry and Policy, is responsible for managing and coordinating all building-related policy areas for the Queensland Government, by ensuring close working relationships between individual policy groups resulting in efficient and effective policies for all building-related functions.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	SES3 - *Public Service Act 2008*	1 July 2013	-

9.1 Key management personnel disclosures (continued)

(a) Details of key management personnel (continued)

Assistant Director-General, Procurement Transformation

The Assistant Director-General, Procurement Transformation, is responsible for the delivery of high quality outcomes on the Queensland Government's procurement policy and strategic directions of procurement management in the sector.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Temporary Relieving	SES 3/3	29 February 2016	-
Former	s122 Contract (CEO4 equivalent)	1 December 2014	26 February 2016
Former	s122 Contract (CEO4 equivalent)	29 October 2012	28 November 2014

Assistant Director-General, Corporate Services

The Assistant Director-General, Corporate Services, is responsible for strategic leadership in corporate governance, executive and corporate support services to enable the department to perform at a high business and ethical standard.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	SES3 - *Public Service Act 2008*	29 November 2007	-

Executive Director, National Regulatory System Office of the Registrar

The Executive Director, National Regulatory System Office of the Registrar, is responsible for the provision of leadership and direction to a branch which regulates providers under four different legislative regimes to ensure the delivery of appropriate and affordable housing services and ensures the consumer protection of residents of these services.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	SES2 - *Public Service Act 2008*	1 January 2013	-
Temporary Relieving	Senior Executive Services - Employment Conditions (Directive 14/16)	2 November 2015	15 January 2016

Executive Director, Aboriginal and Torres Strait Islander Strategy Unit

The Executive Director, Aboriginal and Torres Strait Islander Strategy, provides high-level leadership and specialist advice to support the delivery of better outcomes for Aboriginal and Torres Strait Islander peoples and communities. The role leads and coordinates a whole-of-department approach to the development and implementation of joined-up strategies, policies and programs that enhances the department’s engagement with the community and stakeholders and improves the responsiveness of our service delivery.

Incumbent	Contract classification and appointment authority	Date of initial appointment	Date of resignation or cessation
Current	s122 Contract (SES2 equivalent)	18 January 2016	-

(b) Remuneration policies

Remuneration policy for the department's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* . Individual remuneration and other terms of employment (including motor vehicle entitlements) are specified in employment contracts. The former Director-General's contract under the previous Government also provided for an 'at risk' component payment.

Remuneration expenses for key management personnel comprise the following components:

Short-term employee expenses which include:
- salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee was a key management person
- performance payments recognised as an expense during the year
- non-monetary benefits, consisting of provision of a vehicle together with fringe benefits tax applicable to the benefit.

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

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

9.1 Key management personnel disclosures (continued)

(b) Remuneration policies (continued)

Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Separation payments for former Director-General: The mutually agreed terms for separation of the former Director-General considered all relevant clauses of the contract. The payment for the former Director-General's separation was determined and paid in July 2015 and is included in key management personnel remuneration expenses for 2015-16.

(c) Remuneration expenses

The following disclosures focus on the expenses incurred by the department that are attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

1 July 2015 – 30 June 2016

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 - Current	387	3	7	45	-	442
Director-General - Acting	30	-	1	3	-	34
Director-General - Former	9	-	-	1	232	242
Deputy Director-General, Building and Asset Services	260	3	5	26	-	294
Deputy Director-General, Housing Services - Current	75	1	1	7	-	84
Deputy Director-General, Housing Services - Acting	26	-	-	2	-	28
Deputy Director-General, Housing Services - Former	176	2	3	15	-	196
Deputy Director-General, Housing Services - Acting	23	-	-	2	-	25
Assistant Director-General, Strategic Asset Management	225	3	4	22	-	254
Assistant Director-General, Building Industry and Policy	231	3	4	22	-	260
Assistant Director-General, Procurement Transformation - Acting	82	1	2	8	-	93
Assistant Director-General, Procurement Transformation - Former	189	2	3	19	-	213
Assistant Director-General, Corporate Services	242	3	4	25	-	274

9.1 Key management personnel disclosures (continued)

(c) Remuneration expenses (continued)

1 July 2015 – 30 June 2016 (continued)

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
Executive Director, National Regulatory System Office of the Registrar - Current	147	3	6	16	-	172
Executive Director, National Regulatory System Office of the Registrar - Acting	35	1	1	3	-	40
Executive Director, Aboriginal and Torres Strait Islander Strategy Unit	79	1	2	8	-	90

1 July 2014 – 30 June 2015

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	452	3	8	50	-	513
Deputy Director-General, Building and Asset Services	239	3	5	26	-	273
Deputy Director-General, Housing Services	298	3	6	27	-	334
Assistant Director-General, Strategic Asset Management	216	3	4	20	-	243
Assistant Director-General, Building Industry and Policy	208	3	4	23	-	238
Assistant Director-General, Procurement Transformation - Current	120	3	1	13	-	137
Assistant Director-General, Procurement Transformation - Former	149	3	2	16	-	170
Assistant Director-General, Corporate Services	214	3	4	24	-	245
Executive Director, National Regulatory System Office of the Registrar	186	3	4	20	-	213

9.1 Key management personnel disclosures (continued)

(d) Performance payments

Details of performance payment entitlements by key management person:

Position	Basis for payment	Expensed in 2015-16		Expensed in 2014-15	
		Date paid	Amount	Date paid	Amount
Current Director-General	The remuneration package for the current Director-General does not provide for any performance or bonus payments.	N/A	N/A	N/A	N/A
Former Director-General	The remuneration package for the former Director-General provided for performance payments (also known as an 'at risk' component) to be made conditional on the achievement of objectives that were documented in that position's performance agreement. The basis for payment was subject to a rigorous and independent assessment of those performance objectives and agreed KPIs being achieved, culminating in recommendations to the Premier. The Premier retained ultimate discretion as to whether payment of the 'at risk' component was paid, including the amount payable. The former Director-General became entitled to receive a performance payment in respect of the 2013-14 year following authorisation by the former Premier.	N/A	N/A	October 2014	$53,332

The remuneration packages for all remaining key management personnel do not provide for any performance or bonus payments.

	2016 $'000	**2015 $'000**

9.2 Events occurring after balance date

On 20 July 2016, the Queensland Government issued a notice to Logan City Community Housing Limited to terminate the Logan Renewal Initiative Project Agreement for convenience, with effect on 17 August 2016. The termination will affect the recovery of the Logan Renewal Initiative receivable in Note 4.2.

9.3 Unrecognised items

(a) Commitments for expenditure

(i) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2016 $'000	2015 $'000
Not later than one year	322,134	350,908
Later than one year and not later than five years	843,870	938,046
Later than five years	568,301	730,912
Total	1,734,305	2,019,866

Operating leases are entered into as a means of acquiring access to office accommodation. Rental payments are usually subject to fixed rate escalation clauses detailed in the lease. Most leases contain renewal clauses but no purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

In respect of this office accommodation, the department has occupancy agreements (sub-leases) with other Queensland Government departments. As these agreements are open-ended the amounts receivable extend over an indefinite period of time and therefore cannot be quantified in the financial statements.

(ii) Capital expenditure commitments

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

	2016 $'000	2015 $'000
Land and buildings		
Not later than one year	105,154	93,359
Later than one year and not later than five years	11,127	-
	116,281	93,359
Plant and equipment		
Not later than one year	25,300	42,511
Intangible assets		
Not later than one year	307	1,469
Later than one year and not later than five years	23	72
	330	1,541
Total	141,911	137,411

	2016 $'000	2015 $'000

9.3 Unrecognised items (continued)

(b) Contingencies

Contingent assets

The developer of 1 William Street, CBus Property 1 William Street Pty Ltd, has provided a bank guarantee of $35 million for security performance of the developer's obligations under the project deed.

Contingent liabilities

The following arrangements are not recognised as liabilities in the Balance Sheet:

	2016 $'000	2015 $'000
Common law claims*	650	590
Operating lease - 1 William Street**	978,596	978,596
Total	979,246	979,186

* *Key estimate* : The common law claims relate to a number of litigation cases filed in various Queensland jurisdictions naming the department as defendant. The amounts reported for the claims represent estimates of the maximum cost that might be borne by the department in the event that defence of the action is unsuccessful. The amount represents the excess ($10,000) applicable in those instances where the defence of the case is managed by the Queensland Government Insurance Fund (QGIF) and the contingent liabilities have been assumed by the QGIF.

** Under the agreement entered into for the development of the 1 William Street site, the State has agreed to enter into a sub-lease of the building when construction has been completed. The State's commitment for the operating lease payments on the building sub-lease is contingent on the developer CBus Property 1 William Street Pty Ltd meeting certain requirements under the contract.

9.4 Future impact of accounting standards not yet effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 124 *Related Party Disclosures*

Effective from reporting periods beginning on or after 1 July 2016, a revised version of AASB 124 will apply to the department. AASB 124 requires disclosures about the remuneration of key management personnel (KMP), transactions with related parties, and relationships between parent and controlled entities.

The department already discloses detailed information about remuneration of its KMP, based on Queensland Treasury's *Financial Reporting Requirements for Queensland Government Agencies* . Due to the additional guidance about the KMP definition in the revised AASB 124, the department will disclose its responsible Minister as part of its KMP from 2016-17. The department does not provide remuneration to Ministers, so figures for Ministerial remuneration will not be disclosed by the department. Comparative information will continue to be disclosed in respect of KMP remuneration.

The most significant implications of AASB 124 for the department are the required disclosures about transactions between the department and its related parties (as defined in AASB 124). For any such transactions, from 2016-17, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/payables, commitments, and any receivables where collection has been assessed as being doubtful. In respect of related party transactions with other Queensland Government controlled entities, the information disclosed will be more high level, unless a transaction is individually significant. No comparative information is required in respect of related party transactions in the 2016-17 financial statements.

9.4 Future impact of accounting standards not yet effective (continued)

AASB 15 *Revenue from Contracts with Customers* and AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

These standards will become effective from reporting periods beginning on or after 1 January 2018 and contain much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the department's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not met its associated obligations, such amounts would be reported as a liability (unearned revenue) in the meantime. The department is yet to complete its analysis of current arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices as any revenue likely to be deferred to a later reporting period is already reported as unearned revenue (for example construction contracts and rent).

AASB 16 *Leases*

This standard will become effective from reporting periods beginning on or after 1 January 2019 and it requires that lessees capitalise all leases [other than short-term (one year) leases and low value leases] on the Balance Sheet by recognising a right-of-use asset and a lease liability. The new requirements potentially will increase both leased assets and lease liabilities recorded on the Balance Sheet and result in both a depreciation (on the right-of-use asset) and interest charge (on the lease liability) in the Statement of Comprehensive Income. Though depreciation is likely to be on a straight-line basis, interest will be higher in the initial years which will have the effect of front loading expenses in the Statement of Comprehensive Income. The principal and interest portions of lease payments will be separately disclosed in the Statement of Cash Flows. The department will need to closely review its operating leases to determine how their accounting will be affected and consider any changes needed to processes and systems to collect the necessary information relating to assets previously recorded as operating leases. Given the value of the department's operating lease commitments it is likely that the impact on the department will be significant.

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.

9.5 Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax, Luxury Car Tax (in respect of certain fleet vehicles) and Goods and Services Tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised.

Agreements have been reached with Queensland Treasury for the commercialised business units of the department to pay an income tax equivalent, in accordance with the requirements of the National Tax Equivalents Regime.

Where a commercialised business unit is subject to the tax equivalents regime, the income tax equivalent expense is calculated based on the Balance Sheet approach under which temporary differences are identified for each asset and liability. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the Balance Sheet as a tax asset or a tax liability.

Key judgement: Tax assets are not brought to account unless realisation of the asset is probable. Tax assets relating to commercialised business units with tax losses are only brought to account to the extent that future profits are probable. Recovery of deferred tax assets is primarily based on projected operational results outlined in three year forecasting budgets provided to Queensland Treasury.

9.6 Administered activities

The department administers, but does not control, certain resources on behalf of the Queensland Government. In doing so, it has responsibility and is accountable for administering related transactions and balances, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as administered appropriation revenue.

Administered transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items.

	2016 $'000	2015 $'000
Administered revenues		
Appropriation revenue	3,338	8,180
User charges	90	62
Other	28	38
Total administered revenues	3,456	8,280
Administered expenses		
Supplies and services	3,338	6,432
Grants and subsidies*	-	1,759
Transfer of administered revenue to government	115	95
Total administered expenses	3,453	8,286
Operating result	3	(6)
Administered assets		
Current		
Cash	1	1,068
Receivables	-	130
Total current assets	1	1,198
Administered liabilities		
Current		
Payables	-	222
Other	-	(24)
Total current liabilities	-	198
Net administered assets	1	1,000

* Grants and subsidies are provided by Building and Asset Services and include community service obligations for apprenticeships, Aboriginal and Torres Strait Islander training and State Government Security employment retention arrangements (2015).

Reconciliation of payments from consolidated fund to administered income

	2016 $'000	2015 $'000
Budgeted appropriation	3,468	3,452
Transfers from/to other headings	-	7,293
Lapsed appropriation revenue	(11)	-
Total administered receipts	3,457	10,745
Opening balance of administered appropriation revenue payable/(receivable)	(119)	(2,684)
Closing balance of administered appropriation revenue receivable/(payable)	-	119
Administered income	3,338	8,180

9.7 Agency transactions and balances

As the department performs only a custodial role in respect of agency transactions and balances, they are not recognised in the financial statements but are disclosed in these notes for the information of users.

(a) Building and Asset Services

	2016 $'000	2015 $'000
Agency revenues		
Receipts for goods and services	334,570	445,171
Agency expenses		
Supplies and services	334,570	445,171
Agency current assets		
Receivables	48,299	37,957
Total	48,299	37,957
Agency current liabilities		
Bank overdraft	31,677	18,073
Payables	13,874	15,726
Other	2,748	4,158
Total	48,299	37,957

(b) Resource management services

The department acts as an agent on behalf of other Queensland Government agencies and Allegis Global Solutions in relation to the provision of resource management services for ICT contractors. The department does not receive any fees for providing agent services but is entitled to the interest earned from a bank account associated with this agency arrangement.

	2016 $'000	2015 $'000
Agency revenues		
Receipts for goods and services	153,260	116,344
Agency expenses		
Supplies and services	144,922	114,231
Agency current assets		
Cash and cash equivalents	11,862	3,680

Department of Housing and Public Works

Certificate of the Department of Housing and Public Works

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009,* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

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

(ii) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Housing and Public Works for the financial year ended 30 June 2016, and of the financial position of the department at the end of that year; and

(iii) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

Deborah McLeod
BCom, FCPA
Chief Finance Officer
Department of Housing and Public Works

29 August 2016

Liza Carroll
B.Ed, M.Ed (Hons)
Director-General
Department of Housing and Public Works

29 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Housing and Public Works

Report on the Financial Report

I have audited the accompanying financial report of the Department of Housing and Public Works, which comprises the balance sheet and balance sheet by major departmental service and CBU as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service and CBU for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificates given by the Director-General and Chief Finance Officer.

The Accountable Officer's Responsibility 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 prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Housing and Public Works for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

AUDITOR GENERAL
31 AUG 2016
OF QUEENSLAND

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane