Contents

Department of Energy and Public Works
Statement of Comprehensive Income - Controlled
for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Income			
User charges and fees	2.1	2,014,224	1,809,634
Appropriation revenue	2.2	241,010	159,720
Grants and other contributions		33,055	10,643
Other revenue		31,007	24,720
Total revenue		2,319,296	2,004,717
Gains on disposal/remeasurement of assets		555	2,724
Total income		2,319,851	2,007,441
Expenses			
Supplies and services	2.3	1,321,102	1,113,949
Depreciation and amortisation	2.4	536,245	537,022
Employee expenses	2.5	287,380	251,215
Finance/borrowing costs		39,881	35,001
Grants and subsidies	2.6	77,015	20,840
Other expenses	2.7	19,141	12,824
Total expenses		2,280,764	1,970,851
Operating result before income tax equivalent expense		39,087	36,590
Income tax equivalent expense		6,487	6,210
Operating result for the year		32,600	30,380
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to operating result			
Increase/(decrease) in asset revaluation surplus	3.1	141,361	152,149
Total other comprehensive income		141,361	152,149
Total comprehensive income		173,961	182,529

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Statement of Financial Position - Controlled
as at 30 June 2023

	Note	2023 $'000	2022 $'000
Current Assets			
Cash and cash equivalents		402,330	315,516
Receivables	3.3	162,756	154,757
Contract assets	3.5	77,596	62,765
Other current assets	3.6	17,701	16,182
		660,383	549,220
Non-current assets classified as held for sale	3.7	671	4,568
Total current assets		661,054	553,788
Non-current Assets			
Property, plant and equipment	3.1	3,804,216	3,602,504
Right-of-use assets	3.2	1,553,727	1,719,877
Receivables	3.3	58,571	62,050
Other non-current assets	3.6	8,288	3,276
Total non-current assets		5,424,802	5,387,707
Total Assets		6,085,856	5,941,495
Current Liabilities			
Lease liabilities	3.2	395,692	376,328
Payables	3.9	257,192	209,525
Provisions	3.11	39,622	13,537
Accrued employee benefits		9,923	8,689
Queen's Wharf deferred consideration	3.10	71,250	-
Unearned revenue	3.12	17,526	6,407
Other current liabilities	3.13	47,784	32,724
Total current liabilities		838,989	647,210
Non-current Liabilities			
Lease liabilities	3.2	1,427,552	1,597,244
Borrowings	3.8	196,512	196,512
Queen's Wharf deferred consideration	3.10	48,142	119,392
Provisions	3.11	6,057	32,398
Unearned revenue	3.12	22,484	23,807
Other non-current liabilities	3.13	19,677	17,334
Total non-current liabilities		1,720,424	1,986,687
Total Liabilities		2,559,413	2,633,897
NET ASSETS		3,526,443	3,307,598
EQUITY			
Contributed equity		3,107,542	3,055,093
Asset revaluation surplus	3.1	366,463	225,102
Accumulated surplus/(deficit)		52,438	27,403
Total Equity		3,526,443	3,307,598

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Statement of Changes in Equity - Controlled
for the year ended 30 June 2023

	Contributed equity $'000	Asset revaluation surplus Note 3.1(d) $'000	Accumulated surplus/ (deficit) $'000	Total $'000
Balance as at 1 July 2021	3,071,263	72,953	4,263	3,148,479
Operating result	-	-	30,380	30,380
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	152,149	-	152,149
Total comprehensive income for the year	-	152,149	30,380	182,529
Transactions with owners as owners				
- Appropriated equity injections	502,139	-	-	502,139
- Appropriated equity withdrawals	(490,246)	-	-	(490,246)
- Non-appropriated equity adjustments	(40,187)	-	-	(40,187)
- Net transfers in/(out) from other Queensland Government entities	12,124	-	-	12,124
- Dividends paid or declared	-	-	(7,240)	(7,240)
Net transactions with owners as owners	(16,170)	-	(7,240)	(23,410)
Balance as at 30 June 2022	3,055,093	225,102	27,403	3,307,598
Balance as at 1 July 2022	3,055,093	225,102	27,403	3,307,598
Operating result	-	-	32,600	32,600
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	141,361	-	141,361
Total comprehensive income for the year	-	141,361	32,600	173,961
Transactions with owners as owners				
- Appropriated equity injections	538,482	-	-	538,482
- Appropriated equity withdrawals	(488,015)	-	-	(488,015)
- Non-appropriated equity adjustments	2,745	-	-	2,745
- Net transfers in/(out) from other Queensland Government entities	(763)	-	-	(763)
- Dividends paid or declared	-	-	(7,565)	(7,565)
Net transactions with owners as owners	52,449	-	(7,565)	44,884
Balance as at 30 June 2023	3,107,542	366,463	52,438	3,526,443

The accompanying notes form part of these financial statements.

Accounting Policy

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities are adjusted to contributed equity. These adjustments are made in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* . Appropriations for equity adjustments are similarly designated.

Department of Energy and Public Works
Statement of Cash Flows - Controlled
for the year ended 30 June 2023

	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
User charges and fees	1,990,901	1,777,889
Appropriation receipts	280,124	173,168
GST collected from customers	149,298	124,340
GST input tax credits received from the Australian Taxation Office	88,320	79,654
Grants and other contributions	34,052	10,688
Other	75,692	50,229
Outflows:		
Supplies and services	(1,363,812)	(1,163,143)
Employee expenses	(280,278)	(249,228)
GST paid to suppliers	(188,435)	(162,827)
GST remitted to the Australian Taxation Office	(78,806)	(67,679)
Finance/borrowing costs	(39,811)	(35,026)
Grants and subsidies	(86,368)	(11,418)
Taxation equivalents	(5,623)	(8,137)
Other	(16,604)	(12,790)
Net cash provided by (used in) operating activities	558,650	505,720
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Sales of property, plant and equipment	14,549	18,624
Outflows:		
Payments for property, plant and equipment	(147,158)	(120,219)
Net cash provided by (used in) investing activities	(132,609)	(101,595)
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows:		
Equity injections	547,817	515,334
Outflows:		
Equity withdrawals	(486,995)	(523,427)
Payment of lease liabilities	(392,809)	(392,073)
Dividends paid	(7,240)	(7,883)
Net cash provided by (used in) financing activities	(339,227)	(408,049)
Net increase (decrease) in cash and cash equivalents	86,814	(3,924)
Cash and cash equivalents – opening balance	315,516	319,440
Cash and cash equivalents – closing balance	402,330	315,516

The accompanying notes form part of these financial statements.

Cash disclosures
Cash represents all cash on hand, cash at bank and cheques receipted but not banked at 30 June.

The departmental bank accounts are grouped within the whole of government banking set-off arrangement with Queensland Treasury Corporation and do not earn interest. The Department has overdraft facilities of $20 million (2022: $20 million) with the Commonwealth Bank and working capital facilities of $55 million (2022:$55 million) with Queensland Treasury Corporation. A total of $75 million (2022: $75 million) of these facilities were undrawn as at 30 June and are available for future use.

Reconciliation of operating result to net cash from operating activities

	2023 $'000	2022 $'000
Operating surplus/(deficit) before income tax	39,087	36,590
Less: income tax benefit/(expense)	(6,487)	(6,210)
	32,600	30,380
Non-cash items:		
Depreciation and amortisation expense	536,245	537,022
Motor vehicles sold	20,929	29,414
Impairment losses	2,979	162
Loss/(gain) on disposal of non-current assets	(555)	(2,724)
Capitalised Finance Lease Interest Revenue	(1,877)	(1,958)
Change in assets and liabilities:		
(Increase) decrease in GST input tax credits receivable	302	(1,741)
(Increase) decrease in receivables	(4,019)	(34,809)
(Increase) decrease in contract assets	(14,831)	(8,993)
(Increase) decrease in other assets	(3,241)	2,616
Acquisition of motor vehicles held for rental	(74,055)	(71,476)
Increase (decrease) in GST payable	(1,715)	1,720
Increase (decrease) in payables	37,668	16,825
Increase (decrease) in provisions	1,581	(1,034)
Increase (decrease) in unearned revenue	10,171	(1,153)
Increase (decrease) in accrued employee benefits	1,234	2,507
Increase (decrease) in other liabilities	15,234	8,962
Net cash from operating activities	558,650	505,720

Changes in liabilities arising from financing activities

	Borrowings $'000	Lease liabilities $'000	Dividends payable $'000	Total $'000
Balance as at 1 July 2021	196,512	2,125,564	7,883	2,329,959
Cash flows:				
Cash paid	-	(392,073)	(7,883)	(399,956)
Non-cash changes:				
Leases acquired/surrendered	-	172,387	-	172,387
Remeasurement of lease liability	-	67,694	-	67,694
Dividends declared	-	-	7,240	7,240
Balance as at 30 June 2022	196,512	1,973,572	7,240	2,177,324
Balance as at 1 July 2022	196,512	1,973,572	7,240	2,177,324
Cash flows:				
Cash paid	-	(392,809)	(7,240)	(400,049)
Non-cash changes:				
Leases acquired/surrendered	-	98,136	-	98,136
Remeasurement of lease liability	-	144,345	-	144,345
Dividends declared	-	-	7,565	7,565
Balance as at 30 June 2023	196,512	1,823,244	7,565	2,027,321

For changes in liabilities relating to equity appropriations refer to Note 3.16 which details equity appropriations payable/receivable.

Department of Energy and Public Works
Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units - Controlled
for the year ended 30 June 2023

							Commercialised Business Units			
	Grow Qld's energy sector		Building & government accommodation services		Procurement policy & enabling services		QBuild		QFleet	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Income										
User charges and fees	626	160	689,272	648,577	2,294	2,610	1,277,078	1,078,774	142,711	147,473
Appropriation revenue	90,908	38,298	131,075	106,257	17,497	15,165	-	-	-	-
Grants and other contributions	8,427	6,768	22,281	2,563	-	-	2,347	1,312	-	-
Other revenue	8	9,087	12,648	4,386	1,459	1,053	16,772	10,061	522	437
Total revenue	99,969	54,313	855,276	761,783	21,250	18,828	1,296,197	1,090,147	143,233	147,910
Gains on disposal/remeasurement of assets	-		593	2,678	-	-	(38)	46	-	-
Total income	99,969	54,313	855,869	764,461	21,250	18,828	1,296,159	1,090,193	143,233	147,910
Expenses										
Supplies and services	15,517	13,291	259,837	201,501	9,154	7,855	1,113,461	937,968	61,791	65,875
Depreciation and amortisation	9	9	487,841	490,009	5	5	614	666	47,608	46,101
Employee expenses	18,964	13,574	33,429	28,429	11,876	10,838	174,328	148,437	5,944	5,892
Finance/borrowing costs	-	-	35,725	31,670	-	-	-	-	4,156	3,331
Grants and subsidies	65,099	18,606	10,684	1,062	-	-	1,232	1,172	-	-
Other expenses	377	224	9,910	4,499	214	130	1,870	1,194	6,770	6,777
Total expenses	99,966	45,704	837,426	757,170	21,249	18,828	1,291,505	1,089,437	126,269	127,976
Operating result before income tax equivalent expense	3	8,609	18,443	7,291	1	-	4,654	756	16,964	19,934
Income tax equivalent expense	-	-	-	-	-	-	(1,398)	(230)	(5,089)	(5,980)
Operating result for the year	3	8,609	18,443	7,291	1	-	3,256	526	11,875	13,954
OTHER COMPREHENSIVE INCOME										
Items that will not be reclassified to operating result										
Increase/(decrease) in asset revaluation surplus	-	-	141,361	152,149	-	-	-	-	-	-
Total other comprehensive income	-	-	141,361	152,149	-	-	-	-	-	-
Total comprehensive income	3	8,609	159,804	159,440	1	-	3,256	526	11,875	13,954

Department of Energy and Public Works
Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units - Controlled
for the year ended 30 June 2023

	General - not attributed		Inter-service/unit eliminations		Total department	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Income						
User charges and fees	89,194	101,107	(186,951)	(169,067)	2,014,224	1,809,634
Appropriation revenue	1,530	-	-	-	241,010	159,720
Grants and other contributions	-	-	-	-	33,055	10,643
Other revenue	17	48	(419)	(352)	31,007	24,720
Total revenue	90,741	101,155	(187,370)	(169,419)	2,319,296	2,004,717
Gains on disposal/remeasurement of assets	-	-	-	-	555	2,724
Total income	90,741	101,155	(187,370)	(169,419)	2,319,851	2,007,441
Expenses						
Supplies and services	48,712	56,878	(187,370)	(169,419)	1,321,102	1,113,949
Depreciation and amortisation	168	232	-	-	536,245	537,022
Employee expenses	42,839	44,045	-	-	287,380	251,215
Finance/borrowing costs	-	-	-	-	39,881	35,001
Grants and subsidies	-	-	-	-	77,015	20,840
Other expenses	-	-	-	-	19,141	12,824
Total expenses	91,719	101,155	(187,370)	(169,419)	2,280,764	1,970,851
Operating result before income tax equivalent expense	(978)	-	-	-	39,087	36,590
Income tax equivalent expense	-		-	-	(6,487)	(6,210)
Operating result for the year	(978)	-	-	-	32,600	30,380
OTHER COMPREHENSIVE INCOME						
Items that will not be reclassified to operating result						
Increase/(decrease) in asset revaluation surplus	-	-	-	-	141,361	152,149
Total other comprehensive income	-	-	-	-	141,361	152,149
Total comprehensive income	(978)	-	-	-	173,961	182,529

Department of Energy and Public Works
Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units - Controlled
for the year ended 30 June 2023

	Grow Qld's energy sector		Building & government accommodation services		Procurement policy & enabling services		Commercialised Business Units			
							QBuild		QFleet	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current Assets										
Cash and cash equivalents	-	-	41,753	35,151	-	-	51,769	64,810	43,727	40,247
Receivables	421	336	21,882	23,318	169	362	142,212	125,490	10,819	10,509
Contract assets	-	-	-	-	-	-	77,596	62,765	-	-
Other current assets	10	64	6,107	5,619	-	51	921	1,276	10,594	9,264
	431	400	69,742	64,088	169	413	272,498	254,341	65,140	60,020
Non-current assets classified as held for sale		-	671	4,568		-	-	-	-	-
Total current assets	431	400	70,413	68,656	169	413	272,498	254,341	65,140	60,020
Non-current Assets										
Property, plant and equipment	221	229	3,529,806	3,335,186	10	15	3,108	827	270,690	265,888
Right-of-use assets	-	-	1,553,727	1,719,877	-	-	-	-	-	-
Receivables	-	-	58,571	62,050	-	-	-	-	-	-
Other non-current assets	-	-	412	12	-	-	7,789	3,231	6	6
Total non-current assets	221	229	5,142,516	5,117,125	10	15	10,897	4,058	270,696	265,894
TOTAL ASSETS	652	629	5,212,929	5,185,781	179	428	283,395	258,399	335,836	325,914
Current Liabilities										
Lease liabilities	-	-	395,692	376,328	-	-	-	-	-	-
Payables	48,502	32,055	95,298	65,458	2,924	1,135	112,317	114,711	14,498	11,494
Provisions	-	-	32,436	12,091	-	-	6,413	652	-	-
Accrued employee benefits	580	429	976	824	315	309	6,214	5,538	355	223
Queen's Wharf deferred consideration	-	-	71,250	-	-	-	-	-	-	-
Unearned revenue	-	-	1,322	1,389	-	-	16,204	5,018	-	-
Other current liabilities	200	-	33,646	24,617	137	44	4,821	293	4,595	4,880
Total current liabilities	49,282	32,484	630,620	480,707	3,376	1,488	145,969	126,212	19,448	16,597
Non-current Liabilities										
Lease liabilities	-	-	1,427,552	1,597,244	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	196,512	196,512
Queen's Wharf deferred consideration	-	-	48,142	119,392	-	-	-	-	-	-
Provisions	-	-	5,816	32,158	-	-	-	-	-	-
Unearned revenue	-	-	22,484	23,807	-	-	-	-	-	-
Other non-current liabilities	-	-	1,215	325	-	-	689	369	17,773	16,640
Total non-current liabilities	-	-	1,505,209	1,772,926	-	-	689	369	214,285	213,152
TOTAL LIABILITIES	49,282	32,484	2,135,829	2,253,633	3,376	1,488	146,658	126,581	233,733	229,749

	General - not attributed		Inter-service/unit eliminations		Total department	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets						
Cash and cash equivalents	265,081	175,308	-	-	402,330	315,516
Receivables	9,571	18,093	(22,318)	(23,351)	162,756	154,757
Contract assets	-	-	-	-	77,596	62,765
Other current assets	725	1,462	(656)	(1,554)	17,701	16,182
	275,377	194,863	(22,974)	(24,905)	660,383	549,220
Non-current assets classified as held for sale		-	-	-	671	4,568
Total current assets	275,377	194,863	(22,974)	(24,905)	661,054	553,788
Non-current Assets						
Property, plant and equipment	381	359	-	-	3,804,216	3,602,504
Right-of-use assets	-	-	-	-	1,553,727	1,719,877
Receivables	-	-	-	-	58,571	62,050
Other non-current assets	81	27	-	-	8,288	3,276
Total non-current assets	462	386	-	-	5,424,802	5,387,707
TOTAL ASSETS	275,839	195,249	(22,974)	(24,905)	6,085,856	5,941,495
Current Liabilities						
Lease liabilities	-	-	-	-	395,692	376,328
Payables	5,971	8,023	(22,318)	(23,351)	257,192	209,525
Provisions	773	794	-	-	39,622	13,537
Accrued employee benefits	1,483	1,366	-	-	9,923	8,689
Queen's Wharf deferred consideration	-	-	-	-	71,250	-
Unearned revenue	-	-	-	-	17,526	6,407
Other current liabilities	5,041	4,444	(656)	(1,554)	47,784	32,724
Total current liabilities	13,268	14,627	(22,974)	(24,905)	838,989	647,210
Non-current Liabilities						
Lease liabilities	-	-	-	-	1,427,552	1,597,244
Borrowings	-	-	-	-	196,512	196,512
Queen's Wharf deferred consideration	-	-	-	-	48,142	119,392
Provisions	241	240	-	-	6,057	32,398
Unearned revenue	-	-	-	-	22,484	23,807
Other non-current liabilities	-	-	-	-	19,677	17,334
Total non-current liabilities	241	240	-	-	1,720,424	1,986,687
TOTAL LIABILITIES	13,509	14,867	(22,974)	(24,905)	2,559,413	2,633,897

Department of Energy and Public Works
Statement of Comprehensive Income - Administered
for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue			
Appropriation revenue	5.5 (a)	761,072	573,345
User charges and fees		529	410
Other revenue	5.5 (c)	52,940	126,637
Total revenue		814,541	700,392
Expenses			
Grants and subsidies	5.5 (b)	705,000	550,930
Supplies and services		55,476	22,413
Transfers of administered revenue to government		527	410
Other expenses	5.5 (c)	27,548	-
Total expenses		788,551	573,753
OPERATING RESULT		25,990	126,639

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Statement of Financial Position - Administered
as at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash		76,463	38,557
Receivables		74,447	8,927
Total assets		150,910	47,484
Current liabilities			
Payables	5.5 (d)	150,911	47,404
Non-current liabilities			
Derivatives	5.5 (e)	40,522	93,462
Total liabilities		191,433	140,866
NET ASSETS		(40,523)	(93,382)
EQUITY			
Contributed equity		(170,775)	(197,642)
Accumulated surplus/(deficit)		130,252	104,260
Total Equity		(40,523)	(93,382)

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Statement of Comprehensive Income by Major Departmental Services - Administered
for the year ended 30 June 2023

	Grow Qld's energy sector		Building & government accommodation services		Total	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Appropriation revenue	697,989	549,703	63,083	23,642	761,072	573,345
User charges and fees	480	366	49	44	529	410
Other revenue	52,940	126,637	-	-	52,940	126,637
Total revenue	751,409	676,706	63,132	23,686	814,541	700,392
Expenses						
Grants and subsidies	696,689	549,701	8,311	1,229	705,000	550,930
Supplies and services	3	-	55,473	22,413	55,476	22,413
Transfers of administered revenue to government	479	366	48	44	527	410
Other expenses	27,548	-	-	-	27,548	-
Total expenses	724,719	550,067	63,832	23,686	788,551	573,753
OPERATING RESULT	26,690	126,639	(700)	-	25,990	126,639

There were no administered transactions during the financial year for Procurement policy & enabling services, QBuild or QFleet.

Department of Energy and Public Works
Statement of Assets and Liabilities by Major Departmental Services - Administered
as at 30 June 2023

	Grow Qld's energy sector		Building & government accommodation services		Total	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets						
Cash	70,352	38,557	6,111	-	76,463	38,557
Receivables	70,380	8,927	4,067	-	74,447	8,927
Prepayments	-	-	-	-	-	-
TOTAL ASSETS	140,732	47,484	10,178	-	150,910	47,484
Current liabilities						
Payables	144,733	47,404	6,178	-	150,911	47,404
Non-current liabilities						
Derivatives	40,522	93,462	-	-	40,522	93,462
TOTAL LIABILITIES	185,255	140,866	6,178	-	191,433	140,866

There were no administered balances at the end of the financial year for Procurement policy & enabling services, QBuild or QFleet.

1 BASIS OF PREPARATION

1.1 General information

The Department of Energy and Public Works was established on 12 November 2020. The department is a not-for-profit Queensland Government department established under the *Public Sector Act 2022 (formerly the Public Service Act 2008)* and controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the department is 1 William Street, Brisbane, Queensland 4000.

1.2 Compliance with prescribed requirements

The department has prepared these general purpose financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019* , the Australian Accounting Standards and Interpretations applicable to not-for-profit entities, and Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2022.

These financial statements are prepared on an accrual basis (except for the statement of cash flows which is prepared on a cash basis).

1.3 Department objectives and principal activities

The Department of Energy and Public Works is working towards its objectives to:
- ensure reliable, sustainable and affordable energy services are delivered to Queenslanders and support the growth of the hydrogen industry
- be the trusted experts to government and industry for excellence in building and design, industry regulatory reform, and government building and accommodation
- prioritise Queensland businesses and jobs through leading-edge procurement practices that consider environmental, social and governance factors.

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

Grow Queensland's energy sector

Grow Queensland's energy sector leads the energy sector to deliver reliable, affordable and renewable energy to Queensland households and businesses.

Hydrogen services

Hydrogen Services supports the Queensland Government commitment to accelerating the hydrogen industry in Queensland.

Building and government accommodation services

Building and government accommodation services provides sustainable, well designed, fit for purpose and safe public works, government accommodation and asset management services to enable Queensland Government agencies to deliver their core services.

Procurement policy and enabling services

Procurement policy and enabling services prioritises Queensland businesses and local jobs by providing whole-of-government procurement policy and enabling services to Queensland Government buyers and suppliers.

QBuild

QBuild supports Queensland regional job creation and partners with Queensland Government agencies to deliver their core services by providing state-wide planning, building and maintenance services that utilise local suppliers and QBuild

QFleet

QFleet provides a central pool of expertise in fleet management and fleet management services to enable government and government-funded organisations to safely deliver frontline services to the community.

1.4 Authorisation of financial statements for issue

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

1.5 Basis of measurement

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

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.

Comparative information presented is for the period from 1 July 2021 to 30 June 2022.

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 and revised accounting standards

There are no new accounting standards or interpretations that apply to the department for the first time in 2022-23.

No Australian Accounting Standards have been early adopted for 2022-23.

2 STATEMENT OF COMPREHENSIVE INCOME NOTES

2.1 User charges and fees

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Building services	1,222,332	1,039,266
Commercial accommodation service*	477,846	467,133
Government employee housing accommodation service*	53,117	51,116
Fleet management services*	99,383	91,751
Vehicle sales	37,899	51,264
Service level agreement revenue **	35,264	41,922
Other	88,383	67,182
Total	2,014,224	1,809,634

** Key judgement - Commercial and government employee housing accommodation and motor vehicles*
The department provides access to non-specialised, commercial accommodation and residential accommodation to other Queensland public sector entities under government-wide frameworks. The department has made a judgement that these arrangements are exempt from lease accounting under AASB 16 *Leases* due to the department having substantive substitution rights over the assets used within these arrangements. Motor vehicles provided by QFleet are also exempt from lease accounting under AASB 16 due to the department holding substantive substitution rights for vehicles provided.

** The department provided ongoing corporate services under a service level agreement in the form of information technology and legal services to the former Department of Communities, Housing and Digital Economy until 17 May 2023. These services have continued to be provided following the Machinery of Government changes to business units within Department of Housing; Department of Transport and Main Roads; and Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the department transfers control over a good or service to the customer. The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms, and revenue recognition for the department's major categories of user charges revenue from contracts with customers.

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Building Services	The department provides strategic management of building, construction and maintenance activities primarily to other Queensland state government entities under fixed-price and variable-price contracts. Variable prices are included in the transaction price when they relate to provisional amounts (such as final cleaning, statutory charges etc.) that are highly likely to occur. Contingent amounts are subject to a high degree of uncertainty and are therefore only included in the transaction price when it is highly probable that a significant reversal will not occur. When the department acts as an agent (refer Note 5.6(a)) it will provide project management services with respect to these capital works projects.	Revenue from providing building services is recognised in the accounting period in which the services are provided. Revenue is recognised over time as the building services are provided using either: • percentage of completion methodology: stage of completion is measured by reference to the proportion of physical work completed as this represents the transfer of building services to the customer; or • costs incurred to date: this method is typically used for straight-forward activities that occur over a short period of time.

2.1 User charges and fees (continued)

Revenue from contracts with customers (continued)

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Building Services (continued)	Building services contracts typically have durations of less than 12 months and contain one performance obligation. These performance obligations are satisfied over time as services are rendered. Customers are either invoiced progressively or on completion depending on the complexity of the work and consideration is payable when invoiced.	When customers are invoiced progressively, the timing of customer payment does not always match the revenue recognition policies described above. If the building services provided by the department exceed the payment, a contract asset is recognised. If customer payments exceed the building services provided by the department, a contract liability is recognised. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known.
Commercial Accommodation Service	The department provides access to commercial accommodation primarily to other Queensland state government entities. Commercial accommodation contracts typically have durations of up to 10 years and contain multiple performance obligations relating to the commercial space being provided. Customers simultaneously receive and consume the benefits provided during the contract period and the department invoices on a monthly basis in a manner that fairly represents the transfer of these services. Consideration is receivable when invoiced.	Revenue is recognised on a monthly basis as the actual services are provided over the duration of the contract.
Government Employee Housing Accommodation Service	The department provides access to government employee housing primarily to other Queensland state government entities. Government employee housing contracts are typically open ended and contain multiple performance obligations relating to the government employee housing being provided. Customers simultaneously receive and consume the benefits provided during the contract period and the department invoices on a monthly basis in a manner that fairly represents the transfer of these services. Consideration is receivable when invoiced.	Revenue is recognised on a monthly basis as the actual services are provided over the duration of the contract.

2.1 User charges and fees (continued)

Revenue from contracts with customers (continued)

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Fleet Management Services	The department provides fleet management services primarily to other Queensland state government entities. Fleet management contracts are typically four years and contain multiple performance obligations relating to the vehicle being provided. Customers simultaneously receive and consume the benefits provided during the contract period and the department invoices on a monthly basis in a manner that fairly represents the transfer of these services. Consideration is receivable when invoiced.	Revenue is recognised on a monthly basis as the actual services are provided over the duration of the contract.

Refer to Notes 3.5 and 3.13 for disclosures about contract assets and liabilities outstanding at year end.

2.2 Appropriation revenue

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

	2023 $'000	2022 $'000
Original budgeted appropriation revenue	205,242	173,321
Supplementary amounts:		
Transfers from/to other headings - variation in headings	53,578	-
Unforeseen expenditure	21,304	-
Lapsed appropriation revenue	-	(153)
Total appropriation receipts (cash)	280,124	173,168
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	38,208	23,843
Plus: Transfer of deferred appropriation payable from other Queensland Government entities	-	917
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(77,322)	(38,208)
Appropriation revenue recognised in Statement of Comprehensive Income	241,010	159,720
Variance between original budgeted and actual appropriation revenue	35,768	(13,601)

Accounting policy - Appropriation Revenue

Appropriations provided under the *Appropriation Act 2022* are recognised as revenue when received under AASB 1058 *Income of Not-for-Profit Entities*. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation payable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Capital appropriations are recognised as adjustments to equity (refer to Note 3.16).

	2023 $'000	2022 $'000

2.3 Supplies and services

	2023 $'000	2022 $'000
Cost of sales		
Building, construction and maintenance services	984,716	785,021
Motor vehicles and land sold through inventory	21,304	29,855
Property repairs and maintenance	57,024	50,455
Other property expenses	27,598	56,131
Consultants and contractors	55,203	46,158
Property rental*	6,891	4,285
Motor vehicle costs	24,375	23,098
Information, communication and technology expenses	35,663	33,760
Electricity and gas	16,726	15,460
Rates to local governments	8,725	8,328
Other	82,877	61,398
Total	1,321,102	1,113,949

* In accordance with AASB 16 the majority of the department's leases are recognised on the Statement of Financial Position (refer to Note 3.2) with the exception of short-term (up to one year) and low-value leases (less than $10,000). For these leases, property rental expenses are reported within supplies and services above.

2.4 Depreciation and amortisation

	2023 $'000	2022 $'000
Depreciation - property, plant and equipment (Note 3.1)	132,924	123,387
Depreciation - right-of-use assets (Note 3.2)	403,120	413,172
Amortisation - intangibles	201	463
	536,245	537,022

2.5 Employee expenses

	2023 $'000	2022 $'000
Employee benefits		
Wages and salaries	216,240	189,965
Annual leave levy	22,915	20,995
Employer superannuation contributions	29,272	24,802
Long service leave levy	5,904	4,997
Termination benefits	209	29
	274,540	240,788
Employee-related expenses	12,840	10,427
Total	287,380	251,215

Wages and salaries

Wages and salaries due (but unpaid at reporting date) are recognised in the Statement of Financial Position 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 Central 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.

	2023 $'000	2022 $'000

2.5 Employee expenses (continued)

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's defined benefit plan (the former QSuper defined benefit categories now administered by the Government Division of the Australian Retirement Trust) as determined by the employee's conditions of employment.

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

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

Employee-related expenses

Payroll tax and workers' compensation insurance are a consequence of employing staff, but are not counted in an

Number of employees

The number of employees (measured on a full-time equivalent basis) as at 30 June 2023 (based upon the fortnight ending 30 June 2023) is 2,233 (2022: 2,161).

Key management personnel and remuneration disclosures are detailed in Note 5.1.

2.6 Grants and subsidies

	2023 $'000	2022 $'000
Borumba Dam Pumped Hydro	8,654	9,649
Qld Government Australian Energy Market Commission (AEMC)	8,427	7,549
CopperString Project	44,734	-
Housing Resilience Program	9,639	-
Other	5,561	3,642
	77,015	20,840

Accounting Policy - Grants and Subsidies

Grants occur when a payment or contribution is made to an organisation or person in return for performance of a certain objective in compliance with certain terms and conditions and which meeting the objectives of the department.

2.7 Other expenses

	2023 $'000	2022 $'000
Insurance premiums - Queensland Government Insurance Fund	4,229	3,965
Insurance premiums - other	6,991	6,943
Queensland Audit Office - external audit fees*	279	515
Special payments (ex-gratia)†	24	81
Land Tax	2,828	720
Impairment losses on receivables	2,979	162
Other	1,811	438
Total	19,141	12,824

* Total audit fees quoted by the Queensland Audit Office relating to the 2022-23 financial statements are $0.507 million (GST exclusive) (2022: $0.495 million).

† Special payments include expenditure that the department is not contractually or legally obligated to make to other parties. The special payment over $5,000 in 2022-23 was made to assist with the financial impacts of a costs order.

3 STATEMENT OF FINANCIAL POSITION NOTES

3.1 Property, plant and equipment

	2023 $'000	2022 $'000
Land: at fair value	1,209,312	1,179,757
Buildings: at fair value	1,636,417	1,504,497
Plant and equipment: at cost		
Gross	702,385	656,963
Less accumulated depreciation	(283,151)	(236,641)
	419,234	420,322
Infrastructure: at fair value		
Gross	387,883	361,397
Less accumulated depreciation	(124,989)	(111,911)
	262,894	249,486
Heritage and cultural assets: at fair value		
Gross	229,460	204,599
Less accumulated depreciation	(141,948)	(144,108)
	87,512	60,491
Work in progress: at cost	188,847	187,951
Total	3,804,216	3,602,504

3.1 Property, plant and equipment (continued)

Property, plant and equipment reconciliation	**Land $'000**	**Buildings $'000**	**Plant and equipment $'000**	**Infrastructure $'000**	**Heritage and cultural assets $'000**	**Work in progress $'000**	**Total $'000**
Transfers from other Queensland Government entities	100	12,228	-	-	-	-	12,328
Transfers to other Queensland Government entities	(19)	-	-	-	-	-	(19)
Acquisitions	1,263	2,881	74,996	-	-	106,913	186,053
Transfers between classes	215	58,797	9,786	-	32	(68,830)	-
Transfers to inventories	-	-	(29,414)	-	-	-	(29,414)
Disposals	(726)	(1,237)	(1)	-	-	-	(1,964)
Assets reclassified as held for sale	(8,810)	(10,763)	1,383	-	-	-	(18,190)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	42,099	88,688	-	14,119	7,243	-	152,149
Depreciation	-	(52,198)	(66,122)	(4,514)	(553)	-	(123,387)
Carrying amount at 30 June 2022	1,179,757	1,504,497	420,322	249,486	60,491	187,951	3,602,504
Carrying amount at 1 July 2022	1,179,757	1,504,497	420,322	249,486	60,491	187,951	3,602,504
Transfers from other Queensland Government entities	4,607	-	-	-	-	-	4,607
Transfers to other Queensland Government entities	(4,217)	(379)	-	-	-	-	(4,596)
Acquisitions	7,421	15,850	78,537	-	172	121,077	223,057
Transfers between classes	-	88,932	11,432	-	19,817	(120,181)	-
Transfers to inventories	-	-	(21,698)	-	-	-	(21,698)
Disposals	(1,415)	(1,963)	(107)	(1)	-	-	(3,486)
Assets reclassified as held for sale	(1,516)	(3,092)	-	-	-	-	(4,608)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	24,675	90,698	-	18,123	7,865	-	141,361
Depreciation	-	(58,126)	(69,252)	(4,714)	(833)	-	(132,925)
Carrying amount at 30 June 2023	1,209,312	1,636,417	419,234	262,894	87,512	188,847	3,804,216

3.1 Property, plant and equipment (continued)

(a) Acquisitions

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 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.

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
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. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation. They are valued at highest and best use unless otherwise stated.

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. The carrying amounts are not materially different from their fair value.

Capital works in progress are measured at their acquisition cost or construction cost.

(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 by the use of appropriate and relevant indices.

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
- level three – represents fair value measurements that are substantially derived from unobservable inputs.

3.1 Property, plant and equipment (continued)

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

For assets revalued using a cost valuation method (e.g. current replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount. This is generally referred to as the 'gross method'.

For assets revalued using a market or income-based valuation approach, accumulated depreciation is 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.

There has been no evidence of a material increase or decrease in the market values of properties valued using the market and income based methods from the date of valuation to 30 June 2023.

(i) Government employee houses – land and buildings

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 current replacement cost. Where properties are indexed a number of indices are used depending on the location. Indices are derived from various qualified valuers providing representative property valuations across multiple regions within the state.

Specific appraisals are performed on these properties once every five years. They were specifically appraised by an independent valuer in 2020-21. Three properties were specifically appraised during 2023. Properties that aren't specifically appraised in any given year are indexed.

(ii) Commercial properties – land and buildings

As at 30 June 2023, commercial properties were either:
- specifically appraised by independent valuers
- indexed using Rawlinsons Brisbane Construction Cost Index or
- indexed using a location-specific market index provided by an independent valuer.

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.

Valuation methods include direct comparison, capitalisation or discounted cash flow approaches or a combination of approaches depending on the size of the property and the available market evidence. 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 current replacement cost.

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.

3.1 Property, plant and equipment (continued)

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

(iii) Infrastructure

The key infrastructure assets include Roma Street Parkland improvements, the Goodwill Bridge and the Kurilpa Bridge. Fair value for the infrastructure assets is assessed using current replacement cost due to the lack of market sales evidence for such assets.

Infrastructure assets are specifically appraised at least every four years using independent experts. They were subject to specific appraisal at 30 June 2020 by an independent valuer taking into account useful life, age, condition and functionality. Quantity surveyors assessed the replacement cost for the valuer. 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
- improvements are sited within title boundaries and without encroachment.

Assets that are not specifically appraised in any given year are indexed.

(iv) Heritage and cultural assets

Heritage and cultural buildings at Queen's Wharf Precinct are valued in accordance with Note 3.1(h).

Fair value for the department's other 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 current 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. During 2022-23, 73 properties were specifically appraised and the balance of the properties were indexed.

(d) Asset revaluation surplus by class

	Land $'000	Buildings $'000	Infrastructure $'000	Heritage and cultural assets $'000	Total $'000
Balance as at 1 July 2021	13,443	50,708	5,285	3,517	72,953
Net revaluation increments/(decrements)	42,099	88,688	14,119	7,243	152,149
Balance at 30 June 2022	55,542	139,396	19,404	10,760	225,102
Balance as at 1 July 2022	55,542	139,396	19,404	10,760	225,102
Net revaluation increments/(decrements)	24,675	90,698	18,123	7,865	141,361
Balance at 30 June 2023	80,217	230,094	37,527	18,625	366,463

(e) Fair value measurement

Categorisation of fair values recognised as at 30 June 2023

	Level 2 $'000		Level 3 $'000		Total $'000	
	2023	2022	2023	2022	2023	2022
Land						
- government employee housing	145,826	139,422	-	-	145,826	139,422
- commercial	558,112	538,143	505,374	502,192	1,063,486	1,040,335
Total land	703,938	677,565	505,374	502,192	1,209,312	1,179,757
Buildings						
- government employee housing	515,617	460,242	106,542	94,950	622,159	555,192
- commercial	694,636	635,473	319,622	313,832	1,014,258	949,305
Total buildings	1,210,253	1,095,715	426,164	408,782	1,636,417	1,504,497
Infrastructure	-	-	262,894	249,486	262,894	249,486
Heritage and cultural assets	9,645	9,102	77,867	51,389	87,512	60,491
Total	1,923,836	1,782,382	1,272,299	1,211,849	3,196,135	2,994,231

3.1 Property, plant and equipment (continued)

(e) Fair value measurement (continued)

Level 3 significant valuation inputs

Asset class	Type of significant unobservable inputs
Land	Future estimates of non-cash consideration to be received under non-cancellable contractual arrangements. The discount rate used to calculate a single present value of the future estimates.
Buildings	Building replacement cost rates. Remaining useful lives and percentage of asset life expired. Government employee houses building condition and size.
Infrastructure	Infrastructure replacement cost rates on a per-component basis. Remaining useful lives and percentage of asset life expired.
Heritage and cultural assets	Building replacement cost rates. Adopted depreciation (percentage of asset life expired). Future estimates of non-cash consideration to be received under non-cancellable contractual arrangements. The discount rate used to calculate a single present value of the future estimates.

(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.
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	14%	
Plant and equipment	3%	to	50%	
Infrastructure	1%	to	25%	in accordance with useful life of components
Heritage and cultural assets	1%	to	2%	

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 asset.

(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').

3.1 Property, plant and equipment (continued)

(h) Queen's Wharf Precinct (continued)

The Department of Energy and Public Works is the owner of the majority of land and buildings within the IRD Precinct. A leasehold development lease and a freehold development lease for the project commenced on 22 February 2018 transferring responsibility of the whole of the site to the Consortium. As at 30 June 2023, the land and buildings in the precinct have been valued on the basis that the contractual arrangements are considered to be non-cancellable and the highest and best use of the land and buildings in the precinct is that of an IRD. The fair value is based on the income approach with the cash and future estimates for the non-cash consideration to be received under the contractual arrangements discounted to a single present value. Under the fair value hierarchy the future estimates of the non-cash consideration and the discount rate are categorised as unobservable inputs. The carrying value of the land and buildings within the Precinct is $531.6 million.

3.2 Leases as lessee

(a) Right-of-use assets - buildings

	2023 $'000	2022 $'000
Opening balance	1,719,877	1,895,692
Additions	242,892	240,300
Depreciation charge	(403,120)	(413,172)
Disposals/derecognition	(5,922)	(2,943)
Closing balance	1,553,727	1,719,877

Right-of-use assets are recognised at cost, consisting of the initial amount of the associated lease liability:
- less any lease incentives received
- plus any restoration costs.

The carrying amount of right-of-use assets are adjusted for any remeasurement of the lease liability in the financial year following changes in lease payments payable or in variable lease payments that depend upon an index or rate, or a change in lease term.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Revenue received from other Queensland state government entities in relation to these right-of-use assets is recognised as User charges – refer to Note 2.1.

The department has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (less than $10,000) and short-term leases (lease term 12 months or less). Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

(b) Lease liabilities

	2023 $'000	2022 $'000
Current	395,692	376,328
Non-current	1,427,552	1,597,244
Total	1,823,244	1,973,572

Lease liabilities are initially recognised at the present value of lease payments over the lease term, less any lease incentives receivable.

Lease payments are discounted using Queensland Treasury Corporation's Fixed Rate Loan borrowing rate that best corresponds with the lease commencement month and term.

Rental payments are apportioned between the finance charge and a reduction in the recognised lease liability.

Lease liabilities are remeasured in certain situations such as a change in lease payments payable or in variable lease payments that depend on an index or rate, or a change in the lease term.

A maturity analysis for lease liabilities is included in Note 3.14.

	2023 $'000	2022 $'000

3.2 Leases as lessee (continued)

(c) Lease interest

	2023 $'000	2022 $'000
Interest expense on lease liabilities	35,725	31,670

(d) Amounts recognised in Statement of Cash Flows

	2023 $'000	2022 $'000
Total cash outflow for leases	428,534	423,744

(e) The department's leasing activities

As Queensland Government's central manager of government office accommodation, the Queensland Government Accommodation Office manages a portfolio of commercial accommodation leases represented by right-of-use assets (buildings).

Leases are negotiated on an individual basis and contain a wide range of different terms and conditions in order to achieve the best whole-of-government benefit. The department is exposed to potential future increases in variable lease payments based on CPI or market rates, which make up approximately 8% (2022: 12%) of the portfolio and these are not included in the lease liability until they take effect. When adjustments to lease payments based on CPI or market rates do take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants other than the security interests in the leased assets that may be held by the lessor.

Key judgements in determining the lease term

Extension options are included in the majority of office accommodation leases, however these are not included in the lease term assessed at commencement date due to the department not being reasonably certain that they will be used. In determining whether these options should be included in the lease term assessed at commencement date, the department considered its current office accommodation strategic plan and its history of exercising extension options.

The lease term is reassessed if the department becomes reasonably certain that an extension option will be exercised. The department has exercised approximately 14% of its extension options for the year ending 30 June 2023 (2022: 16%).

Key judgements regarding lease and non-lease components

The department has not separated out non-lease components from lease components for those leases where the base rent is 'all inclusive' as the non-lease component of the base rent cannot be reliably measured.

3.3 Receivables

	2023 $'000	2022 $'000
Current		
Contracts with customers - Trade debtors	150,157	144,439
GST input tax credits receivable	3,870	4,172
GST payable	(1,265)	(2,980)
Net GST receivable	2,605	1,192
Annual Leave reimbursements*	5,128	4,321
Long service leave reimbursements*	1,387	1,549
Finance lease receivables	3,479	3,256
Total	162,756	154,757
Non-current		
Finance lease receivables	58,571	62,050
Total	58,571	62,050

* Refer to Note 2.5 for further information.

3.3 Receivables (continued)

Receivables are measured at amortised cost which approximates their fair value at reporting date. Receivables are recognised at the amount due at the time of sale or service delivery. Settlement of trade debtors is generally required within 30 days from invoice date.

The department's annual and long service leave receivables relate to the Queensland Government's Annual Leave and Long Service Leave Central Schemes which are administered by QSuper on behalf of the state. Refer to Note 2.5.

3.4 Credit risk

The department is exposed to credit risk on its receivables. The maximum exposure to credit risk at balance date is the gross carrying amount of these assets. The department manages credit risk by monitoring all funds owed on a timely basis.

Trade debtors have low credit risk as they are predominately with other state government agencies. Finance lease receivables have low credit risk as they are with a Commonwealth Government agency and an industry superannuation fund. The level of write-offs has been immaterial and therefore no impairment allowance is recognised for these receivables.

3.5 Contract assets

The department recognises contract assets for work performed for customers under Building Services contracts. Contract assets are transferred to receivables when the department’s right to payment becomes unconditional. This usually occurs when the invoice is issued to the customer.

3.6 Other assets

	2023 $'000	2022 $'000
Current		
Prepayments	13,050	12,106
Inventories	4,199	3,625
Tax assets	446	451
Other	6	-
Total	17,701	16,182
Non-current		
Intangible assets	444	645
Deferred tax assets	7,351	2,592
Other	493	39
Total	8,288	3,276

3.7 Non-current assets classified as held for sale

	2023 $'000	2022 $'000
Land	333	3,656
Buildings	338	912
Total	671	4,568

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 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).

The method to determine fair value for land and buildings held for sale is consistent with the method used for the valuation of the department’s government employee housing and commercial properties (i.e. market and income approaches). The valuation represents a level two measurement. Refer to Note 3.1 for further details about the valuation of land and buildings.

3.8 Borrowings

	2023 $'000	2022 $'000
Non-current		
Queensland Treasury Corporation (QTC) borrowings	196,512	196,512

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. Borrowing costs are recognised as an expense.

The fair value of these borrowings is notified by QTC at 30 June and is calculated using discounted cash flow analysis. It is classified as a level three fair value in the fair value hierarchy.

	2023 $'000	2022 $'000
Fair value of QTC borrowings	192,604	191,619

3.9 Payables

	2023 $'000	2022 $'000
Current		
Trade creditors	150,433	140,461
Deferred appropriation payable to Consolidated Fund	77,322	38,208
Equity adjustment payable	21,632	14,023
Dividends	7,565	7,240
Grants and subsidies payable	240	9,593
Total	257,192	209,525

Accounting Policy - Payables

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

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 of declared dividends remaining undistributed at the reporting date is recognised.

3.10 Queen's Wharf deferred consideration

The developer of the Queen’s Wharf Project is providing the state with cash and non-cash consideration in return for the right to develop the Precinct and operate the Integrated Resort Development. The upfront cash received cannot be recognised as revenue until completion of the Project. Until this point in time, the upfront cash is recognised with a corresponding liability.

3.11 Provisions

	2023 $'000	2022 $'000
Current		
Cladding Remediation	4,989	9,148
Make good	8,447	2,943
Transfer duty	19,000	-
Other	7,186	1,446
Total	39,622	13,537
Non-current		
Make good	5,816	13,157
Transfer duty	-	19,000
Other	241	241
Total	6,057	32,398

Movements	Cladding remediation $'000	Make good $'000	Transfer duty $'000	Other $'000	Total $'000
Opening balance at 1 July 2022	9,147	16,101	19,000	1,687	45,935
Additional provision made	-	-	-	6,413	6,413
Provision utilised through payments	(4,158)	-	-	(673)	(4,831)
Unused provisions reversed	-	(1,838)	-	-	(1,838)
Closing balance at 30 June 2023	4,989	14,263	19,000	7,427	45,679

3.11 Provisions (continued)

Accounting policy – Provisions

Provisions are recorded when the department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate. The amounts recognised as provisions in relation to the dismantling and removal of assets and the restoration of land on which the assets have been located, have been included in the cost of the assets.

Cladding remediation

The department recognises a provision for rectification costs for three departmental owned sites requiring remediation to address the presence of combustible cladding. All sites have had interim risk mitigation strategies implemented and are safe for occupation pending final remediation.

Make good

Commercial office leases may contain a make good clause that requires the premises to be returned in a specified condition or other consideration to be provided at the end of the lease term. The department has established make good provisions in respect of these leases.

Transfer duty

A provision has been recognised for transfer duty in relation to the Queen's Wharf Precinct Integrated Resort Development (IRD) agreement. Duty is payable to Queensland Treasury when the IRD long term lease is issued.

3.12 Unearned revenue

	2023 $'000	2022 $'000
Current		
Finance lease revenue	1,322	1,389
Other	16,204	5,018
Total	17,526	6,407
Non-current		
Finance lease revenue	22,484	23,807
Total	22,484	23,807

3.13 Other liabilities

	2023 $'000	2022 $'000
Current		
Contract liabilities	37,280	27,581
Current tax liability	4,821	657
Other	5,683	4,486
Total	47,784	32,724
Non-current		
Contract liabilities	870	-
Deferred tax liability	18,462	17,009
Other	345	325
Total	19,677	17,334

Contract liabilities

Contracts with customers are generally for periods of one year or less or are billed based on time elapsed. The balance of contract liabilities at the end of the financial year is generally recognised as revenue in the following year.

The department has applied the practical expedient in AASB 15 *Revenue from Contracts with Customers* , relating to transaction prices allocated to unsatisfied or partially satisfied performance obligations at the end of the reporting period.

Unearned revenue that does not arise from contracts with customers is included in Note 3.12.

3.14 Liquidity risk

The department is exposed to liquidity risk in respect of its payables, Queensland Treasury Corporation borrowings and lease liabilities. 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 will differ from the amortised cost (carrying amount) where this is 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.

		Undiscounted cash flows			
	Amortised	Contractual maturity payable in			
2023	**Cost**	**<1 year**	**1-5 years**	**>5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Lease liabilities	1,823,244	430,481	1,165,866	375,528	1,971,875
Queensland Treasury Corporation borrowings	196,512	4,156	16,625	196,512	217,293
Payables	257,192	257,192	-	-	257,192
Total	2,276,948	691,829	1,182,491	572,040	2,446,360

		Undiscounted cash flows			
	Amortised	Contractual maturity payable in			
2022	**Cost**	**<1 year**	**1-5 years**	**>5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Lease liabilities	1,973,572	406,794	1,167,915	555,246	2,129,955
Queensland Treasury Corporation borrowings	196,512	3,041	12,066	196,512	211,619
Payables	209,525	209,525	-	-	209,525
Total	2,379,609	619,360	1,179,981	751,758	2,551,099

3.15 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 are disclosed in the Statement of Changes in Equity:

- appropriations for equity adjustments (refer to Note 3.16)
- non-appropriated equity adjustments
- non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities

3.16 Appropriations recognised in equity

	2023 $'000	2022 $'000
Reconciliation of payments from consolidated fund to equity adjustment		
Original budgeted equity adjustment appropriation	111,654	43,260
Supplementary amounts		
Transfers from/to other headings	(53,578)	-
Lapsed equity adjustment	-	(11,166)
Equity adjustment receipts (payments)	58,076	32,094
Less: Opening balance of equity adjustment receivable	-	(6,178)
Plus: Opening balance of equity adjustment payable	14,023	-
Less: Closing balance of equity adjustment payable	(21,632)	(14,023)
Equity adjustment recognised in contributed equity	50,467	11,893
Variance between original budgeted and actual equity adjustment appropriation	(61,187)	(31,367)

4 BUDGET TO ACTUAL COMPARISON - CONTROLLED

This section details the major variances between the department's actual 2022-23 financial results and the original budget presented to Parliament.

	Variance notes	Original budget 2023 $'000	Actual 2023 $'000	Variance $'000
STATEMENT OF COMPREHENSIVE INCOME				
INCOME				
User charges and fees		1,905,496	2,014,224	108,728
Appropriation revenue	1	206,541	241,010	34,469
Grants and other contributions		124,231	33,055	(91,176)
Other revenue		16,193	31,007	14,814
Total revenue		2,252,461	2,319,296	66,835
Gains on disposal/remeasurement of assets		-	555	555
Total income		2,252,461	2,319,851	67,390
EXPENSES				
Supplies and services	2	1,210,161	1,321,102	110,941
Depreciation and amortisation		548,704	536,245	(12,459)
Employee expenses		291,237	287,380	(3,857)
Finance/borrowing costs		33,424	39,881	6,457
Grants and subsidies		146,158	77,015	(69,143)
Other expenses		15,428	19,141	3,713
Total expenses		2,245,112	2,280,764	35,652
Operating result before income tax		7,349	39,087	31,738
Income tax equivalent expense		1,861	6,487	4,626
Operating result after income tax		5,488	32,600	27,112
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to operating result				
Increase/(decrease) in asset revaluation surplus	3	-	141,361	141,361
Total other comprehensive income		-	141,361	141,361
Total comprehensive income		5,488	173,961	168,473

4 BUDGET TO ACTUAL COMPARISON - CONTROLLED (CONTINUED)

STATEMENT OF FINANCIAL POSITION	Variance notes	Original budget 2023 $'000	Actual 2023 $'000	Variance $'000
CURRENT ASSETS				
Cash and cash equivalents	4	219,067	402,330	183,263
Receivables	5	125,861	162,756	36,895
Contract assets	6	53,445	77,596	24,151
Other current assets		21,531	17,701	(3,830)
		419,904	660,383	240,479
Non-current assets classified as held for sale		1,254	671	(583)
Total current assets		421,158	661,054	239,896
NON-CURRENT ASSETS				
Property, plant and equipment		3,628,535	3,804,216	175,681
Right-of-use assets		1,472,949	1,553,727	80,778
Receivables		58,572	58,571	(1)
Other non-current assets		1,780	8,288	6,508
Total non-current assets		5,161,836	5,424,802	262,966
TOTAL ASSETS		5,582,994	6,085,856	502,862
CURRENT LIABILITIES				
Lease liabilities		402,233	395,692	(6,541)
Payables	7	146,033	257,192	111,159
Provisions		26,916	39,622	12,706
Accrued employee benefits		7,380	9,923	2,543
Queen's Wharf deferred consideration		71,250	71,250	-
Unearned revenue		5,592	17,526	11,934
Other current liabilities		18,794	47,784	28,990
Total current liabilities		678,198	838,989	160,791
NON-CURRENT LIABILITIES				
Lease liabilities		1,323,043	1,427,552	104,509
Borrowings		206,512	196,512	(10,000)
Queen's Wharf deferred consideration		48,141	48,142	1
Provisions		4,971	6,057	1,086
Unearned revenue		22,484	22,484	-
Other non-current liabilities		19,047	19,677	630
Total non-current liabilities		1,624,198	1,720,424	96,226
TOTAL LIABILITIES		2,302,396	2,559,413	257,017
NET ASSETS / TOTAL EQUITY		3,280,598	3,526,443	245,845

4 BUDGET TO ACTUAL COMPARISON - CONTROLLED (CONTINUED)

STATEMENT OF CASH FLOWS	Variance notes	Original budget 2023 $'000	Actual 2023 $'000	Variance $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges and fees		1,899,145	1,990,901	91,756
Appropriation receipts	8	205,242	280,124	74,882
GST collected from customers		90,060	149,298	59,238
GST input tax credits received from Australian Taxation Office		82,671	88,320	5,649
Grants and other contributions		124,231	34,052	(90,179)
Other		32,520	75,692	43,172
Outflows:				
Supplies and services	9	(1,297,968)	(1,363,812)	(65,844)
Employee expenses		(291,857)	(280,278)	11,579
GST paid to suppliers		(82,507)	(188,435)	(105,928)
GST remitted to Australian Taxation Office		(108,624)	(78,806)	29,818
Finance/borrowing costs		(33,373)	(39,811)	(6,438)
Grants and subsidies		(146,158)	(86,368)	59,790
Taxation equivalents		(6,759)	(5,623)	1,136
Other		(17,148)	(16,604)	544
Net cash provided by (used in) operating activities		449,475	558,650	109,175
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment	10	4,100	14,549	10,449
Loans and advances redeemed		1,323	-	(1,323)
Outflows:				
Payments for property, plant and equipment	11	(189,671)	(147,158)	42,513
Payments for intangible assets		-	-	-
Net cash provided by (used in) investing activities		(184,248)	(132,609)	51,639
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Equity injections	12	608,960	547,817	(61,143)
Borrowings		10,000		(10,000)
Outflows:				
Equity withdrawals		(497,306)	(486,995)	10,311
Payment of lease liabilities		(420,012)	(392,809)	27,203
Borrowing redemptions		-		-
Dividends paid		(6,818)	(7,240)	(422)
Transfers to other government entities		-		-
Net cash provided by (used in) financing activities		(305,176)	(339,227)	(34,051)
Net increase (decrease) in cash and cash equivalents		(39,949)	86,814	126,763
Cash and cash equivalents – opening balance		259,016	315,516	56,500
Cash and cash equivalents – closing balance		219,067	402,330	183,263

4 BUDGET TO ACTUAL COMPARISON - CONTROLLED (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 Statement of Financial Position is material (greater than 10%) compared to total income, total expenses, total assets (less property, plant and equipment) or total liabilities (less lease 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 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.

Statement of Comprehensive Income

1 *Appropriation Revenue*
The variance of $34.469 million is mainly due to:

Additional departmental services funding during 2022-23 ($101.643 million) for CopperString 2.0 ($47.883 million) to transition the project to State ownership and delivery; Queensland Energy and Jobs Plan initiatives ($33.275 million); the leased commercial office portfolio ($16.784 million) for changes to lease incentives, lease terms and higher interest rates; net deferrals and adjustments for Energy ($33.298 million) to reflect the timing of delivery of programs and initiatives under the Queensland Energy and Jobs Plan ($29.266 million); the timing of grant payments from the Queensland Microgrid Pilot Fund ($5.000 million); and funding for the remaining transition activities for CopperString 2.0 ($3.330 million).

This is offset by net deferrals and adjustments for the departments owned and leased buildings ($14.248 million) mainly for deferrals for committed maintenance projects for government owned buildings and sites ($21.348 million) to reflect the timing of delivery and net adjustments to reflect the actual year end position for the commercial office and residential accommodation owned and leased portfolios ($7.100 million) relating to depreciation, timing of maintenance and lease adjustments; committed information technology, building policy and hydrogen projects not finalised at 30 June ($5.975 million) and approved transfers of funding ($9.009 million) to support departmental priority areas and new initiatives.

2 *Supplies and Services*
The variance of $110.940 million is mainly due to:

An increase in QBuild's supplies and services ($167.992 million) due to increased payments to contractors reflecting a higher volume of work delivered for client agencies. This is partially offset by a decrease in QFleet's supplies and services ($23.831 million) due to a reduction in the number of vehicles sold due to extended delivery timeframes for new vehicles with client agencies retaining existing vehicles and increased eliminations for internal trading ($42.911 million) due to additional work delivered by QBuild on the departments owned and leased properties.

3 *Movement 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 given the diversity of the department's property portfolio.

The variance of $141.361 million represents a net increase in the value of residential land ($1.170 million) and buildings ($50.393 million) and a net increase in non-residential land ($23.505 million) and buildings ($40.305 million). The remaining $25.988 million variance is as a result of overall increases from the valuation or indexation of infrastructure and heritage asset classes during the period

Some of the market drivers of the increases in asset values have been low interest rates, economic stimulus measures and rising construction costs.

4 BUDGET TO ACTUAL COMPARISON - CONTROLLED (CONTINUED)

Statement of Financial Position

4 *Cash*

The variance of $183.263 million is mainly due to:

An increased cash balance for Public Works ($201.004 million) due to appropriation revenue deferrals and net adjustments ($77.322 million) outlined in Note 7, the revised timing of delivery of capital works projects ($52.519 million), the timing of invoices for work delivered but paid for after 30 June ($28.872 million) and higher property sales than anticipated ($10.449 million) outlined in Note 10.

An increased cash balance for QFleet ($25.962 million) due to a reduction in the number of vehicles purchased because of extended delivery timeframes for new vehicles ($46.454 million) which was partially offset by lower user fees and charges ($16.476 million) mainly due a reduction in the number of vehicles sold.

These increases are offset by a decreased cash balance for QBuild ($43.703 million) mainly due the timing difference between payments to suppliers and agreed invoicing arrangements with client agencies.

5 *Receivables*

The variance of $36.898 million is mainly due to an increase in QBuild receivables due to higher sales associated with increased client programs, the timing of completion of work with an increase in work finalised and invoiced in June and adjustments to reflect work completed but not yet invoiced; partially offset by earlier than anticipated payments from clients.

6 *Contract Assets*

The variance of $24.151 million is mainly due a higher volume of work and the timing of payments to QBuild’s contractors and agreed invoicing arrangements with client agencies for work delivered relating to construction and maintenance work in progress.

7 *Payables*

The variance of $111.162 million is mainly due to:

An increase in deferrals and net adjustments relating to appropriation revenue ($77.322 million) to reflect the timing of delivery of programs and initiatives under the Queensland Energy and Jobs Plan ($16.766 million); the timing of grant payments from the Queensland Microgrid Pilot Fund ($5.000 million); funding for remaining transition activities for CopperString 2.0 ($3.330 million); committed maintenance projects for government owned buildings and sites ($18.582 million) to reflect the timing of delivery; funding for the completed Queensland Hydroelectric Implementation Study ($17.000 million) to be returned to the consolidated fund; approved transfers of funding ($9.009 million) to support departmental priority areas and new initiatives; committed information technology, building policy and hydrogen initiatives not finalised at 30 June ($5.975 million); partially offset by net adjustments for the commercial office and residential accommodation owned and leased portfolios ($7.100 million) relating to depreciation, timing of maintenance and lease adjustments.

There was also an increase in deferrals for equity adjustments ($21.632 million) mainly for the Ecosciences building cladding project due to complexities in delivery and increase in the provision for dividend payable for the commercialised business units ($5.395 million) due to higher than estimated profits.

4 BUDGET TO ACTUAL COMPARISON - CONTROLLED (CONTINUED)

Statement of Cash flows

8 *Appropriation Receipts*
The variance of $74.882 million is mainly due to:
Additional funding for CopperString 2.0 ($47.883 million) to transition the project to State ownership and delivery; Queensland Energy and Jobs Plan initiatives ($20.775million); the leased commercial office portfolio ($16.784 million) for changes mainly to lease incentives, lease terms and higher interest rates; and reclassification of capital funding to operating funding ($13.500 million) to reflect the accounting treatment for the Borumba Pumped Hydro technical study costs.

This is partially offset by adjustments to reflect the actual 2021-22 year end result for the commercial and residential accommodation portfolios ($12.182 million) relating to depreciation, timing of maintenance and lease adjustments and 2022-23 deferrals for building maintenance and system information projects ($14.545 million) to reflect timing of delivery.

9 *Supplies and Services*
The variance of $65.805 million is mainly due to:
An increase in QBuild's supplies and services ($161.818 million) due to increased payments to contractors reflecting a higher volume of work delivered for client agencies.

This is offset by a decrease in QFleet's supplies and services ($43.002 million) due to a reduction in the number of new vehicles purchased by QFleet due to extended delivery timeframes for new vehicles and increased eliminations for internal trading ($42.911 million) relating to additional work delivered by QBuild for the departments owned and leased properties.

10 *Sales of Property Plant and Equipment*
The variance of $10.449 million is mainly due to higher than anticipated sales of government employee residential properties ($7.668 million) resulting from strong market conditions and the sale proceeds from non-residential land ($2.590 million).

11 *Payments for property, plant and equipment*
The variance of ($42.471 million) is mainly due to the revised timing of delivery for government employee residential properties reflecting ongoing market conditions including availability of contractors and complexities in delivery.

12 *Equity Injections*
The variance of ($61.143 million) is mainly due to the revised timing of delivery for government employee residential properties as outlined in Note 11 ($22 million); a reduction in lease payments for the leased commercial office portfolio ($27.528 million) for changes mainly to lease incentives, lease terms and higher interest rates; and reclassification of capital funding to operating funding ($13.500 million) to reflect the accounting treatment for the Borumba Pumped Hydro technical study costs.

5 OTHER INFORMATION

5.1 Key management personnel disclosures

(a) Details of key management personnel (KMP)

The department's responsible Minister, the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement, is identified as part of the department's key management personnel, consistent with guidance included in AASB 124 *Related Party Disclosures* .

The following details for non-ministerial KMP reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the department. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management. There were no material related party transactions with KMP other than what is reported in this KMP note.

Position	Position responsibility
Director-General	Responsible for executive leadership, overall strategic direction and the financial administration of the department.
Deputy Director-General, Energy	Provides strategic leadership and direction to the department's energy functions and responsibilities including the delivery and implementation of the Queensland Energy and Jobs Plan that supports communities and workers, improving outcomes for energy consumers, development of effective fuels policy, working with government owned entities to develop and implement policy and projects to increase renewable energy uptake while maintaining secure and reliable supply, and leading national energy policy matters.
Deputy Director-General, Public Works	Responsible for providing strategic leadership to deliver high quality outcomes under the department's capital works and building asset management programs, accommodation and employee housing programs and disaster management coordination efforts. The role is critical in developing and maintaining effective partnerships and relationships with key stakeholders and clients including interface with the building industry.
Assistant Director-General, QBuild	Provides strategic leadership to QBuild, including the comprehensive range of asset management, maintenance, construction, consultancy, and building services that it provides. The role provides strategic direction to and is accountable for the effective governance of, operational and strategic areas of the business unit to ensure continued commercial viability and the achievement of government and business objectives.
Assistant Director-General, Building Policy	Responsible for leading, managing and coordinating all building-related policy areas for Government, by ensuring close working relationships between individual policy groups resulting in efficient and effective policies for all building related functions. The position is also accountable for the provision of expert policy advice and implementation of building legislation and policy.
Deputy Director-General, Procurement	Provides strategic leadership to support the delivery of the Queensland Government's procurement and services strategies, policies and direction across government. The role also performs the critical leadership function of Chief Advisor, Queensland Government Procurement and undertakes a program management role in the delivery of whole-of-government procurement support and advisory services, fleet management services and the procurement of general goods and services.
Deputy Director-General, Corporate and Portfolio Strategy	Provides strategic leadership to deliver the department's corporate services, and ensures high-quality outcomes across the entire portfolio, with a focus on strategic high-value interventions and improving the capability across the department and leading significant organisational performance agendas for major commercialised business units.
Deputy Director-General, Hydrogen	Provides strategic leadership for integrating hydrogen into the Queensland Energy Plan, working with government owned energy entities to facilitate their engagement with the hydrogen sector, encouraging domestic use of hydrogen, particularly by governments, and encouraging innovation in the energy sector around hydrogen and other new energy sources.
Assistant Director-General, Portfolio Integration	Responsible for the delivery of high quality outcomes across the entire portfolio, with a focus on strategic high value interventions and on improving the capability of the department.

5.1 Key management personnel disclosures (continued)

(b) Remuneration policies

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

Remuneration policy for the department's other KMP is set by the Queensland Public Sector Commission (*previously known as Public Service Commission*) as provided for under the *Public Sector Act 2022 (formerly the Public Service Act 2008)* . Individual remuneration and other terms of employment (including motor vehicle entitlements) are specified in employment contracts.

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses 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 KMP
- non-monetary benefits - consisting of provision of vehicle and car parking, together with fringe benefits tax applicable to the benefit.

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

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

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

No remuneration packages for key management personnel provide for any performance or bonus payments.

5.1 Key management personnel disclosures (continued)

(c) Remuneration expenses

The following disclosures focus on the expenses incurred by the department that are attributable to non-ministerial key management personnel positions. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

1 July 2022 – 30 June 2023

Position	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Total expenses
	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000
Director-General	447	11	11	50	519
Deputy Director-General, Public Works	302	12	8	35	356
Deputy Director-General, Energy	234	11	6	26	277
Assistant Director-General, QBuild	236	12	6	25	278
Assistant Director-General, Building Policy	237	11	6	26	280
Deputy Director-General, Procurement	243	11	6	26	286
Deputy Director-General, Corporate and Portfolio Strategy	267	12	7	30	315
Deputy Director-General, Hydrogen	239	11	6	26	282
Assistant Director-General, Portfolio Integration	257	12	6	26	301

5.1 Key management personnel disclosures (continued)

(c) Remuneration expenses (continued)

1 July 2021 – 30 June 2022

Position	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Total expenses
	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000
Director-General (to 24/09/2021)	72	2	3	7	84
Director-General (from 27/09/2021)	307	8	8	35	357
Deputy Director-General, Public Works	296	12	7	31	346
Deputy Director-General, Energy (Acting) to 20/08/2021	41	1	1	3	46
Deputy Director-General, Energy (from 23/08/2021)	198	9	4	20	231
Assistant Director-General, QBuild (to 13/11/2021)	88	4	2	9	104
Assistant Director-General, QBuild (Acting) from 14/11/2021	139	7	6	15	168
Assistant Director-General, Building Policy (to 17/08/2021)	26	1	1	4	31
Assistant Director-General, Building Policy (from 18/08/2021)	196	10	5	19	229
Deputy Director-General, Procurement	240	12	6	26	283
Deputy Director-General, Corporate and Portfolio Strategy (Acting) to 01/05/2022	221	10	5	27	263
Deputy Director-General, Corporate and Portfolio Strategy (from 02/05/2022)	51	2	1	4	58
Deputy Director-General, Hydrogen (from 14 March 2022)	67	3	2	8	80
Assistant Director-General, Portfolio Integration (from 15/11/2021)	142	7	4	15	168

5.2 Related party entity transactions

The Department of Energy and Public Works is controlled by the State of Queensland which is the ultimate parent and therefore a related party. Other Queensland public sector entities, over which the State has control, joint control or significant influence are also related parties of the Department of Energy and Public Works. Transactions with related party entities that are individually or collectively significant are reported below. Transactions with key management personnel (who are all related parties) are reported in Note 5.1.

The department's principal activities described in Note 1.4 include major activities involving other Queensland Government entities such as energy delivery, construction and maintenance programs, motor vehicle fleet management, office accommodation and government employee housing. The line items below are predominately comprised of related party transactions associated with these activities:

- Revenue from contracts with customers (excluding vehicle sales) (refer to Note 2.1)
- Trade debtors (contracts with customers) (refer to Note 3.3)
- Contract assets (refer to Note 3.5)

Other significant related party transactions/balances are identified below:

- Appropriation and equity funding from government (refer to Notes 2.2, 3.16 and 5.5(a))
- Corporate charges received from various departments for information, communication and technology, and other services (refer to Note 2.1)
- Resilient Home Funds from Queensland Reconstruction Authority. (refer to Note 2.3)
- Property security charges (Other property expenses) paid to the Queensland Police Service (refer to Note 2.3)
- QREZ, Borumba Dam Pump Hydro and Curtis Island Electrification payment to Powerlink (refer to Note 2.6)
- Queensland Treasury Corporation borrowings (refer to Note 3.8)
- Provisions for transfer duty (refer to Note 3.11)
- Administered community service obligation payments (refer to Note 5.5(b))
- Administered QBCC supplementation funding 2022-23 payment.
- Administered grant payment to Powerlink for CopperString Project.
- Administered equity payment to CE Energy for Kogan Project & Greenbank Battery and Stanwell Corporation for Wambo Wind Farm.

5.3 Commitments for expenditure

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

	Not later than one year $'000	Later than one year and not later than five years $'000	Total $'000
2023			
Property, plant and equipment	280,233	8,300	288,533
2022			
Property, plant and equipment	144,820	-	144,820

5.4 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).

One of the department’s GST entities, QBuild, is a member of the same GST group as the Housing entity from the Department of Housing (previously known as Department of Communities, Housing and Digital Economy until 17 May 2023). Transactions between the GST group members are out of scope for GST. Under GST grouping arrangements the ATO recognises the Housing GST entity as the nominated representative of the combined GST group, to be responsible for remitting GST collected and for claiming input tax credits for GST on behalf of members of the group. These amounts are disclosed in the financial statements of the Department of Housing. The net amount of GST recoverable or payable by QBuild to the ATO is included in trade debtors or trade creditors and represents the amount receivable from or payable to the Department of Housing.

5.4 Taxation (continued)

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 Statement of Financial Position 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 as a tax asset or a tax liability. 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.

5.5 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 or equity injections.

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

No financial assets and financial liabilities have been offset and presented net in the statement of financial position.

(a) Reconciliation of payments from Consolidated Fund

Reconciliation of payments from consolidated fund to administered appropriation revenue

	2023 $'000	2022 $'000
Budgeted appropriation revenue	667,960	545,811
Transfers from/(to) other headings	-	-
Unforeseen expenditure	54,638	28,417
Total administered appropriation receipts (cash)	722,598	574,228
Less: Opening balance of administered appropriation revenue receivable	(3,384)	(4,267)
Plus: Closing balance of administered appropriation revenue receivable	41,858	3,384
Administered appropriation revenue recognised in Administered Statement of Comprehensive Income	761,072	573,345

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

	2023 $'000	2022 $'000
Budgeted equity appropriation	391	383
Unforeseen expenditure	297,791	40,000
Total administered appropriation equity receipts (cash)	298,182	40,383
Less: Closing balance of equity adjustment payable	15,000	-
Less: Transfers out to other Queensland Government entities	-	-
Equity adjustment recognised in contributed equity	313,182	40,383

(b) Grants and subsidies

	2023 $'000	2022 $'000
Community service obligations and grants for energy	704,299	550,870
Other	701	60
Total	705,000	550,930

Major administered expenses include community service obligation (CSO) payments made on behalf of the Queensland Government to energy retailers Energy Queensland and Origin. The most significant CSO payment relates to the Uniform Tariff Policy supporting regional Queensland.

	2023 $'000	2022 $'000

5.5 Administered activities (continued)

(c) Movement in fair value of financial instruments (gains)/losses

	2023 $'000	2022 $'000
Other Revenue (Gain)	(52,940)	(126,637)
Other Expenses (Loss)	27,548	-
Total	(25,392)	(126,637)

*Refer to Note 5.5 (e) for further information.

(d) Payables

	2023 $'000	2022 $'000
Community service obligations and grants payable	124,109	47,024
Transfer of administered item revenue to government payable	7	380
Deferred administered appropriation payable to Consolidated Fund	-	-
Trade creditors	26,795	-
Other	-	-
Total	150,911	47,404

(e) Derivatives

	2023 $'000	2022 $'000
Commodity and electricity derivative instruments at fair value	40,522	93,462

The department is responsible for administering the State’s entitlement and obligations for commodity and electricity price hedge instruments related to renewable solar energy investment projects.

Embedded derivatives are not separated from the host commodity contracts and accounted for separately. These are hybrid contracts with bundled price hedge arrangements classified as financial instruments measured at fair value through the statement of comprehensive income.

Financial instruments are initially recognised at fair value on execution of the contracts and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is classified as held for trading or is designated as a hedging instrument, and if so, the nature of the item being

Derivative financial instruments spanning both current and non-current periods are split into their current and non-current components prior to valuation. The fair value of these components is then classified as current when the maturity profile is less than 12 months and classified as a non-current when the maturity profile is greater than 12 months.

Change in fair value recognised in the statement of comprehensive income

Gains and losses from remeasuring the fair value of commodity and electricity derivatives that are not designated as hedging instruments and are classified as financial instruments at fair value are recognised in the statement of comprehensive income (refer to Note 5.5 (c)).

5.5 Administered activities (continued)

(e) Derivatives (continued)

Level 3 fair value measurement - significant valuation inputs and impacts

Derivative financial liabilities are categorised within level 3 of the fair value hierarchy. There were no transfers of liabilities between fair value hierarchy levels during the period.

Structured commodity and derivative contracts are negotiated directly with counterparties with no observable market prices for component instruments.

The valuation technique used to estimate the fair value commodity and energy contracts takes into account all relevant variables including forecast commodity and electricity prices, physical generation plant variables, transmission losses, energy policy considerations, the risk free discount rate and related credit adjustments.

To the maximum extent possible, valuations are based on assumptions which are supported by independent or observable market data. Where valuation models are used, instruments are discounted at the market interest rate applicable to the instrument.

The following is a summary of the main inputs and assumptions used by the department in measuring the fair value of level three financial instruments:

- Forward commodity and electricity prices includes both observable external market data and independently sourced forecast data. The derived forecast spot pool prices and renewable energy and related certificate prices are applied, as market prices are not observable for long term contracts.
- Forecast generation volumes for derivatives related to renewable generation are independently derived using market modelling assumptions over the life of the instrument.
- Transmission loss factors are based on observable external market data and internally derived assumptions.
- Commonwealth and State schemes for renewable energy and greenhouse gas abatement will affect future alternate tradeable environmental certificates and their value to the State in offsetting cash outflows under the financial instruments.
- Discount rates are based on observable market rates for risk free instruments of the appropriate term.
- Credit adjustments are applied depending on the asset/liability position of a financial instrument to reflect the risk of default by either the State or a specific counterparty.

The use of different methodologies and assumptions could lead to different measurements of fair value for level 3 instruments.

Market risk (Commodity price risk)

The department is exposed to electricity price movements in the National Electricity Market and environmental certificate price movements that affect the fair value and cash flows of the financial instruments. The department has an agency arrangement in place, until 31 December 2030, to manage its entitlements and obligations under the commodity and derivative contracts. The department measures this risk exposure using sensitivity analysis.

The following commentary and table summarises the sensitivity of the department's derivative financial instruments to commodity and electricity price risk. Analysis is performed using similar information to that which would be provided to management and reflects the impact on the department's financial position should certain price movements occur.

The sensitivity in the mark-to-market of the commodity and electricity derivatives is calculated as at balance date. The analysis assumes simultaneous and standardised upward and downward movements of commodity and electricity prices of 10%, which reflects the market sensitivity of contracts held by the department at balance date.

Market risk sensitivity analysis

	10% price increase		10% price decrease	
Commodity and electricity price risk	**Effect on operating result $'000**	**Effect on equity $'000**	**Effect on operating result $'000**	**Effect on equity $'000**
2023	5,379	-	(6,857)	-
2022	14,730	-	(16,522)	-

5.5 Administered activities (continued)

(e) Derivatives (continued)

Liquidity risk

The following table details the department's remaining contractual maturity for its derivative financial instrument liabilities. It is based on the undiscounted cash flows of financial liabilities at the earliest date on which the financial liabilities are required to be paid. It includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Statement of Financial Position.

	Undiscounted cash flows		
	Contractual maturity payable in		
Derivatives	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
2023	-	58,892	58,892
2022	39,681	78,265	117,946

(f) Undrawn facilities

The department has the following overdraft facilities in relation to its Administered accounts. These facilities were undrawn as at 30 June and are available for future use.

	2023 $'000	2021 $'000
Commonwealth Bank	10,000	10,000

(g) Budget to actual comparison

	Variance notes	Original Budget 2023 $'000	Actual 2023 $'000	Variance $'000
Statement of Comprehensive Income for the year ended 30 June 2023				
Revenue				
Appropriation revenue	1	667,960	761,072	93,112
User charges and fees		332	529	197
Other revenue		-	52,940	52,940
Total revenue		668,292	814,541	146,249
Expenses				
Grants and subsidies		653,508	705,000	51,492
Supplies and services		14,452	55,476	41,024
Transfer of administered revenue to government		332	527	195
Other expenses		-	27,548	27,548
Total expenses		668,292	788,551	120,259
Operating result		-	25,990	25,990
Statement of Financial Position as at 30 June 2023				
Current assets				
Cash	2	31,803	76,463	44,660
Receivables	3	3,897	74,447	70,550
Total current assets		35,700	150,910	115,210
Current liabilities				
Payables	4	35,621	150,911	115,290
Non-current liabilities				
Derivatives	5	220,099	40,522	(179,577)
Net Assets		(220,020)	(40,523)	179,497

5.5 Administered activities (continued)

(g) Budget to actual comparison (continued)

Explanations of major variances

1 *Appropriation Revenue*
The variance of $93.112 million is mainly due to funding for Powerlink ($67.500 million) for early works activities to progress the CopperString 2032 transmission connection; funding for Queensland Building and Construction Commission ($27.589 million) to support the ongoing delivery of Queensland Building Plan reforms; supplementation funding for QBuild ($13.415 million) to support ReBuild QBuild and the impacts of Enterprise Bargaining Agreements; partially offset by a reduction in the Energy Queensland Uniform Tariff Policy Community Service Obligation funding ($14.697 million) as the CSO deed was completed after the finalisation of the original budget.

2 *Cash*
The variance of $44.660 million is mainly due to funding for Energy Queensland for the June 2023 instalment of the Uniform Tariff Policy Community Service Obligation ($18.390 million) due for payment in July and funding for Powerlink for CopperString 2032 ($26.100 million) as outlined in Note 1.

3 *Receivables*
The variance of $70.550 million is mainly due to additional funding for Powerlink ($41.400 million) for CopperString 2032 as outlined in Note 1 and Stanwell ($15.000 million) for the Central Queensland hydrogen project Front End Engineering Design study; and offset by the GST receivable on Community Service Obligation funding and grants paid to Powerlink ($11.794 million).

4 *Payables*
The variance of $115.290 million is mainly due to timing of payments to Powerlink ($67.500 million) for CopperString 2032 and Stanwell ($15.000 million) as outlined in Notes 1 and 3; and increased funding to Energy Queensland for the Uniform Tariff Policy Community Service Obligation (CSO) ($14.630 million) as the CSO deed was completed after the finalisation of the original budget.

5 *Derivatives*

The variance of $179.577 million is the movement in the fair value of the state's obligations in relation to commodity and electricity price hedge instruments for renewable solar energy investment projects. This variance includes a $26.247 million contributed equity transfer to Stanwell for the state’s obligation for the period 1 July 2023 to 31 December 2030.

5.6 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) QBuild

QBuild acts as an agent on behalf of other Queensland Government agencies in relation to the procurement and project management for large capital works projects. Fees received for the provision of these services are included in Note 2.1 User charges and fees.

	2023 $'000	2022 $'000
Agency revenues		
Receipts for goods and services	683,181	501,089
Agency expenses		
Payments for supplies and services	683,181	501,089
Agency current assets		
Receivables	104,070	73,599
Agency current liabilities		
Bank overdraft	53,938	32,190
Payables	48,444	39,721
Other	1,688	1,688
Total liabilities	104,070	73,599

	2023 $'000	2022 $'000

5.6 Agency transactions and balances (continued)

(b) Major Projects Delivery

Major Projects Delivery acts as an agent on behalf of other Queensland Government agencies and non-government entities to project manage major capital works projects. Fees received for the provision of these services are included in Note 2.1 User charges and fees.

	2023 $'000	2022 $'000
Agency revenues		
Receipts for goods and services	267,163	75,080
Agency expenses		
Payments for supplies and services	267,163	75,080
Agency current assets		
Receivables	38,256	19,975
Agency current liabilities		
Payables	38,256	19,975

5.7 Climate risk disclosure

The department considers climate related risks when assessing material accounting judgements and estimates used in preparing its financial report. Key estimates and judgements identified include the potential for changes in asset useful lives, changes in the fair value of assets, impairment of assets, and the recognition of provisions or the possibility of contingent liabilities.

No adjustments to the carrying value of assets were recognised during the financial year as a result of climate related risks impacting current accounting estimates and judgements. No other transactions have been recognised during the financial year specifically due to climate related risks impacting the department.

The department continues to monitor the emergence of material climate related risks that may impact the financial statements of the department, including those arising under the Queensland Government Climate Action plan 2020-2030 and other government publications or directives.

5.8 Events occurring after the reporting date

No events have occurred after the reporting date that require additional disclosures or adjustments to these financial statements.

Department of Energy and Public Works

Management Certificate of the Department of Energy 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 38 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

(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 Energy and Public Works for the financial year ended 30 June 2023, and of the financial position of the department at the end of that year.

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

Chris Breitkreuz
BCom, FCPA
Chief Finance Officer
Department of Energy and Public Works

29 August 2023

Paul Martyn PSM

Director-General
Department of Energy and Public Works

29 August 2023

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Energy and Public Works .

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended

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

The financial report comprises the controlled and administered statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2023, the controlled and administered statements of comprehensive income, statements of comprehensive income by major departmental services, and controlled statement of changes in equity, controlled statement of cash flows and for the year then ended, notes to the financial statements including material accounting policy information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

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Classification and valuation of administered commodity and electricity derivative financial instruments ($41 million)

Refer to Note 5.5 (e) in the financial report

Key audit matter	How my audit addressed this key audit matter
Management has estimated the fair value of the department's commodity and electricity derivative financial instruments to be $40.522 million liability as at 30 June 2023 after the contributed equity transfer of $26.247 million to Stanwell. The derivative financial instruments are valued using complex models, with the following key inputs involving significant judgement due to an absence of observable market data: • Forecast commodity and electricity prices • Physical generation variables • Market loss factors • Energy policy considerations.	My procedures included, but were not limited to: • obtaining an understanding of the valuation models prepared by Stanwell to assume the State's derivative liability from 1 July 2023 to 31 December 2030 and valuation models prepared by the department to assume the liability from 1 January 2031 to the respective end dates in 2038, and assessing their design, integrity and appropriateness with reference to common industry practices • challenging management assumptions used in the valuation and assessing the reasonableness of the key inputs by comparison to independently sourced external market data, market conditions at year end, and the energy policy environment • assessing the competence, capability and objectivity of the external experts management used in estimating forecast commodity and electricity prices, and physical generation variables • for a sample of derivatives, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents (including contracts) • evaluating the appropriateness of disclosures.

Valuation of property plant and equipment – fair value hierarchy level 3

Buildings ($426 million) and infrastructure assets ($263 million)

Refer to Note 3.1(e) in the financial report

Key audit matter	How my audit addressed this key audit matter

The fair value measurement of commercial buildings without an observable market and infrastructure assets is based on the current replacement cost method.
The Department of Energy and Public Works used a combination of comprehensive revaluation and indexation methods to determine the fair value of these assets as at 30 June 2023.
The comprehensive revaluations are dependent on certain key assumptions that require significant management judgement for:
• Identifying any components of the assets that have separately identifiable replacement costs
• Estimating the gross replacement cost for each asset component by developing unit rates for the modern equivalent asset
	My procedures included, but were not limited to:
	• assessing the adequacy of management's review of the valuation process and results
	• reviewing the scope and instructions provided to the valuer
	• assessing the competence, capabilities and objectivity of the experts involved in developing the unit rates
	• assessing the appropriateness of the valuation methodology and the underlying assumptions with reference to common industry practices
	• evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices
	• examining a sample of asset valuation movements since the last revaluation date and corroborating the changes with other available information
	• evaluating useful life estimates for reasonableness by:
	  ◦ reviewing management's annual assessment of useful lives
	  ◦ ensuring that no building asset still in use has reached or exceeded its useful life

Key audit matter	How my audit addressed this key audit matter
• Estimating the remaining useful life of each asset. The indexation method required: • Judgement in determining changes in cost and design factors for each asset type since the previous indexation or comprehensive revaluation • Reviewing previous assumptions and judgements used in the indexation or comprehensive revaluation to ensure ongoing validity of assumptions and judgements used. The measurement of accumulated depreciation involved significant judgements for determining condition and forecasting the remaining useful lives of the asset building components. The significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense.	• where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Responsibilities of the department for the financial report

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

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

Auditor’s responsibilities for the audit of the financial report

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

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

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

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

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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

a) I received all the information and explanations I required.

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

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Prescribed requirements scope

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

31 August 2023

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane