

Department of Energy and Public Works

ANNUAL REPORT 2020–2021



Queensland
Government

Communication objective

This annual report provides information about the Department of Energy and Public Works' financial and non-financial performance for 2020–21. It has been prepared in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and the Annual report requirements for Queensland Government agencies.

The report records the significant achievements against the strategies detailed in the department's *Strategic Plan 2020–24* and the *2020–21 Service Delivery Statements*.

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Department of Energy and Public Works Annual Report 2020–21

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Online open data reporting

Content for the following annual reporting requirements can also be accessed on the department's website www.epw.qld.gov.au and the Queensland Government data website at <https://data.qld.gov.au>:

- consultancies
- Queensland Language Services Policy.

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Letter of compliance



Department of
Energy and Public Works

8 September 2021

The Honourable Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement
Level 36, 1 William Street
BRISBANE QLD 4000

Dear Minister

I am pleased to submit for presentation to the Parliament, the Annual Report 2020–21 and financial statements for the Department of Energy and Public Works.

The Department of Energy and Public Works is a new state government department arising from the merger of Building Policy and Asset Management and Queensland Government Procurement functions from the former Department of Housing and Public Works, the Energy function from the former Department of Natural Resources, Mines and Energy, and the Hydrogen Energy Policy function from the Department of State Development, Infrastructure, Local Government and Planning.

The report outlines the activities and achievements of the new Department of Energy and Public Works for the whole of the 2020–21 financial year. That is, it reflects the structure, operations and performance of the department as it now exists.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*, and
- the detailed requirements set out in the Annual Report Requirements for Queensland Government Agencies.

A checklist outlining the annual reporting requirements can be found at pages 29-30 of this annual report.

Yours sincerely

A handwritten signature in dark ink, appearing to read "James Purtill".

James Purtill
Director-General

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About us

Our vision is a more sustainable and prosperous future through our energy, building and procurement services.

Our purpose

To make the best use of our energy resources, deliver a safer, fairer, and sustainable building and construction industry, and support government asset management and procurement functions.

Our operating environment

The Department of Energy and Public Works was established in 2020 under the *Public Service Act 2008 section 14(1)* as a result of Machinery of Government changes that came into effect on 12 November 2020.

The new department was formed by combining functions including:

- Building Policy and Asset Management
- Energy
- Queensland Government Procurement
- Hydrogen Energy Policy.

The new department operates within a complex and rapidly changing environment, shaped by the impacts of the COVID-19 pandemic, economic recovery efforts, and responding to climate change. Our department will be responsive to this changing environment by:

- progressing the Queensland Renewable Energy Target
- building a sustainable hydrogen industry
- supporting jobs right across Queensland
- enabling a safe, sustainable built environment.

Our key challenges during 2020–21 were:

- maintaining and improving standards to ensure safety, fairness and sustainability in the building and construction industry
- delivering safe, secure, sustainable and affordable energy for Queensland
- efficiently managing government property and vehicle assets to meet the expectations of customers and stakeholders
- ensuring best value for Queenslanders from government expenditure to support regional communities and local businesses
- maintaining the wellbeing and capability of our workforce to meet customer and community expectations.

Our values

Our values underpin our work and our culture. We are engaged in the work we do and are committed to:



Customers first

putting customers first: by understanding our customers at all levels and delivering what matters.



Ideas into action

transforming ideas into action: by delivering responsive and innovative solutions, encouraging and embracing new ideas, and working across boundaries.



Unleash potential

unleashing potential: by being clear about our vision and continuing to challenge ourselves.



Be courageous

being courageous: by taking calculated risks to achieve better outcomes.



Empower people

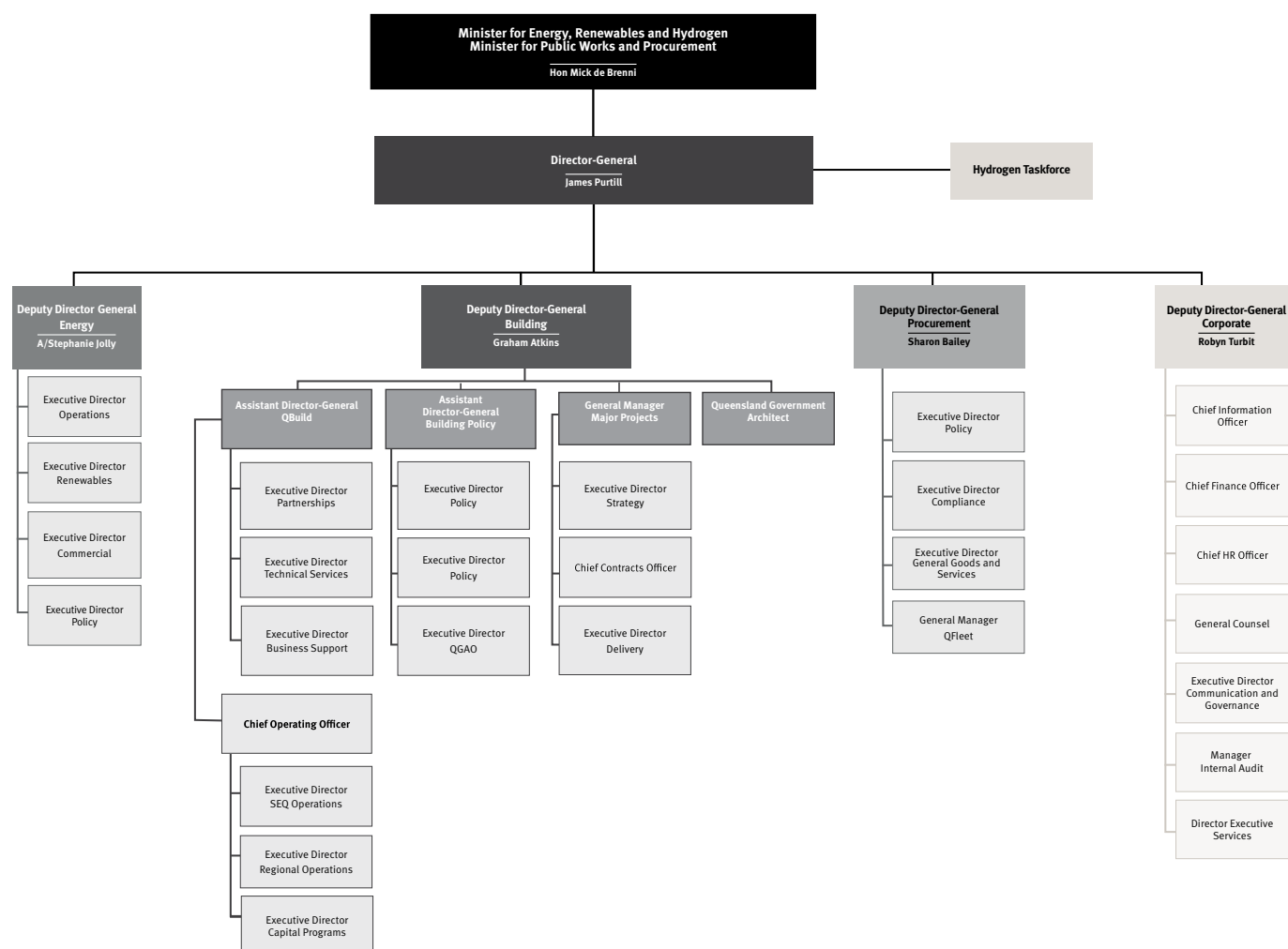
empowering people: by leading by example within an integrated department.



Healthy and safe workforce

ensuring a safe work environment: by making the safety of our workers, customers, contractors, other stakeholders and the public our priority.

Organisational Structure



The following table outlines those divisions or functions that joined the department due to Machinery of Government changes on 12 November 2020. Financial statements for the period 1 July-30 November 2020 can be found in the related annual reports listed below.

Joined the department	Date of transfer	Related annual report*
Building Policy and Asset Management	12 November 2020	Department of Communities, Housing and Digital Economy
Energy	12 November 2020	Department of Resources
Queensland Government Procurement	12 November 2020	Department of Communities, Housing and Digital Economy
Hydrogen Energy Policy	19 November 2020	Department of State Development, Infrastructure, Local Government and Planning

Our contribution

Our contribution to the Queensland Government's objectives for the community is shown through our Strategic Plan 2020–2024, published in March 2021. It outlines our strategic objectives and delivery strategies.



Supporting jobs – through the Queensland Renewable Energy Zones, delivering the Household Resilience Program, enhancing the Queensland Procurement Policy, seeking new opportunities through the Energy and Hydrogen Jobs Fund, and by delivering planning, building and maintenance services for government assets.



Backing small business – through the COVID-19 Supplier Portal, reducing building sub-contractor non-payments and by delivering business energy savings programs.



Building Queensland – through a best practice prequalification system, major infrastructure such as the Cairns Convention Centre, maintaining cyclone shelters, a capital and upgrade program to deliver safe and improved employee housing in regional and remote locations across the state, and upgrading energy infrastructure across the state.



Growing our regions – by maximising local supplier participation, providing housing for Queensland frontline workers in rural and regional locations and by developing the Electricity Tariff Adjustment Scheme.



Investing in skills – by creating jobs state-wide through the QBuild Apprenticeship Program which builds Queensland's regional capability.



Protecting the environment – by investing in renewables through environmentally sustainable management of government property and by continuing to implement the QFleet Environmental Strategy and QFleet Electric Vehicle Transition Strategy.

Our strategic alignment to government objectives

Department's strategic objectives	Service Delivery Statement Service area objective	Queensland Government's objectives for the community
Deliver safe, secure, sustainable and affordable energy for Queensland	Energy services <ul style="list-style-type: none"> Ensuring Queensland's energy sector is efficient, equitable and sustainable. 	<ul style="list-style-type: none"> Supporting jobs Backing small business Building Queensland Growing our regions Protecting the environment
Embed robust procurement practices and expert government fleet management	Building and procurement services <ul style="list-style-type: none"> Providing effective and efficient services and support to industry and government to benefit Queensland communities including procurement, design excellence, building legislation and policy, major government projects and government accommodation. 	<ul style="list-style-type: none"> Supporting jobs Backing small business Growing our regions
	QFleet <ul style="list-style-type: none"> Providing 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. 	<ul style="list-style-type: none"> Protecting the environment
Provide value-adding design, building policy, public works and asset management services that boost Queensland's growing communities	Building and procurement services <ul style="list-style-type: none"> Providing effective and efficient services and support to industry and government to benefit Queensland communities including procurement, design excellence, building legislation and policy, major government projects and government accommodation. 	<ul style="list-style-type: none"> Supporting jobs Backing small business Growing our regions Protecting the environment
	QBuild <ul style="list-style-type: none"> Effectively managing partner agencies' assets to deliver more services for Queenslanders. 	<ul style="list-style-type: none"> Supporting jobs Backing small business Building Queensland Investing in skills Growing our regions

Table: The relationship between the Queensland Government's objectives for the community, the department's strategic objectives and service areas.

During 2020–21, we monitored our progress in achieving our strategic objectives through key performance indicators and service standards. We also established a process to manage the implementation of government commitments, including working collaboratively across government and with stakeholders to ensure success.

Our achievements against our strategic objectives

OBJECTIVE ONE

Deliver safe, secure, sustainable, and affordable energy for Queensland

We deliver this strategic objective through our energy services via the following strategies:

- managing Queensland's energy resources to provide affordable, reliable, and sustainable energy
- supporting and growing Queensland's renewable energy sector and emerging hydrogen industry.

Strategic Objective Performance Indicator	Actual 2020–21	2020-21 Target
Renewable energy as percentage of total energy consumed in Queensland ¹	20.2%	20.0%
Average time to assess electricity and gas licences ²	100%	90% ◀ 4 months

Notes:

1. The Queensland Government has announced a target of 50% renewable energy as a percentage of total energy consumed in Queensland by 2030.
2. This is a proxy measure of effectiveness of the Queensland Government's renewable energy objectives by optimising customer outcomes through an efficient energy licensing process. Providing certainty on regulatory timeframes is key to industry investment and project certainty, leading to optimised economic outcomes.

Our achievements 2020–21

We managed Queensland's energy resources to provide affordable, reliable, and sustainable energy by:

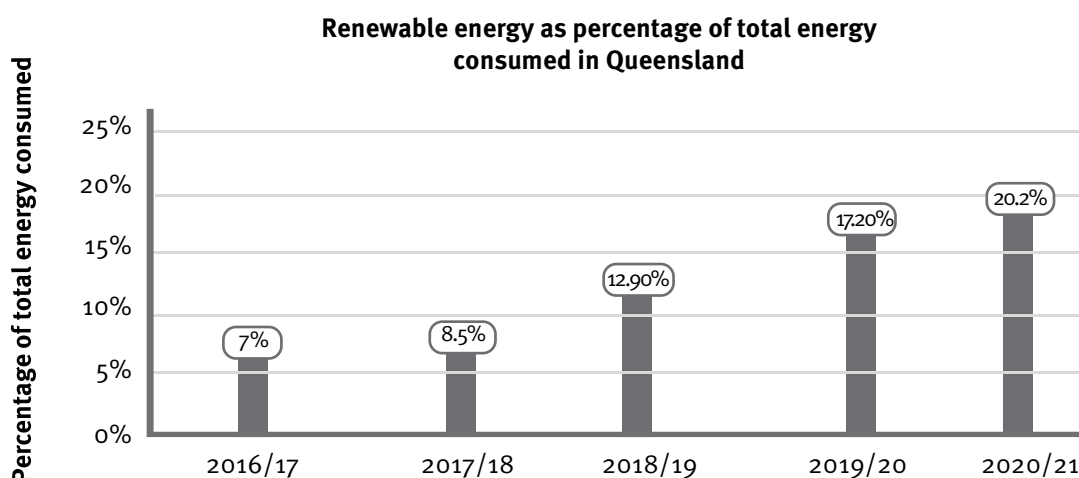
- keeping downward pressure on prices and supporting the work of the Energy and Water Ombudsman Queensland, which provides a free, independent, energy-specific dispute resolution service to residential and small business energy customers
- supporting Queensland electricity customers dealing with COVID-19 by facilitating the delivery of the government's \$50 asset ownership dividend, and also the utility relief payment to all households and small businesses
- delivering programs that help businesses understand their electricity use, realise energy savings through energy audits, and transition to appropriate tariffs
- administering the Queensland Government's Uniform Tariff Policy with \$457 million of Community Service Obligation payments to subsidise regulated prices for regional Queenslanders
- continuing to regulate and provide strategic oversight of Queensland's electricity and gas supply industries to ensure licence holders are, and continue to be, suitable operators and meet minimum technical and service level requirements
- continuing to regulate and provide strategic oversight of Queensland's biobased petrol and biobased diesel mandates to improve the availability of biofuels in Queensland
- continuing to maintain the fuel price reporting scheme to help motorists shop around and save at the bowser
- continuing to lead Queensland's engagement with the Energy National Cabinet Reform Committee, and associated forums, as the committee progresses electricity and gas market reforms for energy security and reliability, energy affordability, and long-term energy market design
- responding to energy emergency events, in partnership with market bodies and other jurisdictions, and ensuring the ongoing safety and security of Queensland's power system
- ensuring preparedness, response to, and recovery from disasters or emergency events through the development of plans, processes and procedures to support Queensland's Disaster Management Arrangements
- facilitating specialist worker exemptions and leading the COVID-19 engagement and awareness activities of industry stakeholders
- developing the Electricity Tariff Adjustment Scheme to provide transition rebates for up to nine years to support eligible regional businesses as they move from obsolete electricity tariffs to standard business tariffs on 1 July 2021.

We supported and grew Queensland's renewable energy sector and emerging hydrogen sector by:

- supporting ongoing progress towards the Queensland Renewable Energy Target, including by committing the \$145 million investment to establish three Queensland Renewable Energy Zones (QREZ) in southern, central and

northern Queensland where we will undertake strategic network investments, boost renewable energy investment and attract industrial energy users. In achieving the target, the Queensland Government will maintain an affordable, secure and reliable electricity system for consumers and ensure workforces and communities are treated equitably as the electricity system transitions

- commencing the first stage of developing the Northern QREZ by committing \$40 million of the QREZ \$145 million towards network upgrades to unlock up to 500 megawatts (MW) of renewable energy potential in Far North Queensland. This investment will upgrade transmission lines between Cairns and Townsville to support new projects in the north, tapping into world-class wind resources in the region and improving the security of energy supply to Cairns
- continuing to support CleanCo Queensland Limited's delivery of an additional 1400MW of renewable energy and its role as the state's third publicly owned power generation company, including the development of Karara Wind Farm, which is Australia's first government-owned wind farm
- supporting and growing Queensland's emerging renewable energy sector to ensure that by 2030 Queensland is at the forefront of renewable hydrogen production in Australia
- implementing outcomes from the Queensland Hydroelectric Study with a commitment of \$22 million to undertake a detailed cost and design analysis into developing a 1 gigawatt pumped hydro facility at Borumba Dam
- continuing work to address technical and market barriers to enable higher penetration of rooftop solar on the distribution network. In 2020, a record 720 MW of small-scale solar was installed, which was 55 percent higher than the previous year. This trend is continuing in 2021
- continuing the delivery of the Decarbonising Remote Communities Program with installation of around 210 kilowatts of rooftop solar on eight council-owned buildings in Pormpuraaw, with all systems commissioned in October 2020. The solar energy is expected to result in annual power bill savings of around \$40,000 per year for Pormpuraaw Aboriginal Shire Council
- investing \$147 million for the transmission connection of the Genex Kidston 250 MW Pumped Storage Hydroelectric project. This funding is from the \$150 million allocated for a clean energy hub in the Powering North Queensland Plan announced in June 2017. The project supports Powerlink to construct 186km of high voltage transmission line connecting the pumped storage hydro plant to the National Electricity Market in North Queensland. The construction of the pumped storage hydro is expected to have a peak workforce of 500 and 30 permanent operational jobs. The construction of the transmission line and associated infrastructure is expected to create 400 construction jobs over two years
- establishing the Queensland Hydrogen Taskforce to lead the delivery of Queensland's vision for a renewable hydrogen sector.



Looking forward

While firmly focused on delivery, we also look to the future. In 2021–22, we will continue to work across government to realise and support government priorities by:

- developing the Queensland energy plan, containing actions and initiatives that will promote jobs, increase renewables and accelerate development of the hydrogen sector
- engaging with the Australian Government to support a fair Energy and Emissions Reduction Bilateral Agreement to improve energy outcomes and lower emissions
- continuing with the next stage of QREZ, including engagement with communities, industry and other stakeholders on QREZ implementation with a focus on maximising local benefits
- continuing to invest in renewables such as wind, solar, batteries, and pumped hydro to achieve 50 percent renewables by 2030, and to ensure low cost, cleaner energy benefits Queensland communities
- setting the policy environment to drive investment in hydrogen in Queensland regions and facilitate skills development in this emerging sector
- delivering the necessary policy and practices to ensure the sustainable development of the hydrogen sector in Queensland.

OBJECTIVE TWO

Embed robust procurement practices and expert government fleet management

We deliver this strategic objective through our procurement services and our commercialised business unit of QFleet via the following strategies:

- embedding the Buy Queensland approach to procurement in government
- providing safe, fit-for-purpose and environmentally responsible fleet management services to government agencies.

Strategic Objective Performance Indicator	Actual 2020–21	2020–21 Target
Operating cost of managed spend on general goods and services	N/A ¹	≤\$2
Achieve annual targets to transition to transition electric vehicles into the fleet	84 ²	144
Percentage of Queensland Government Procurement spend with Queensland small to medium enterprises	N/A ³	25%

Notes:

1. Procurement spend data for 2020–21 will be published at www.epw.qld.gov.au before the end of 2021.
2. As at 30 June 2021, QFleet has transitioned 84 Electric vehicles, including 32 plug-in hybrid vehicles, into the fleet. It is currently on track to achieve its calendar year target of 144 electric vehicles by 31 December 2021. In addition to the 84 Electric Vehicles, the fleet contains 1,933 hybrid electric vehicles (i.e. cars powered by an internal combustion engine in combination with one or more electric motors that use energy stored in batteries, but not charged through plugging in) which also have reduced emissions.
3. Measurement of performance against the small and medium enterprise target in the Queensland Procurement Policy is undertaken in collaboration with the Australian Bureau of Statistics. Procurement spend data for 2020–21 will be published at www.epw.qld.gov.au by 31 December 2021.

Our achievements 2020–21

We continued to embed the Buy Queensland approach to procurement in government by:

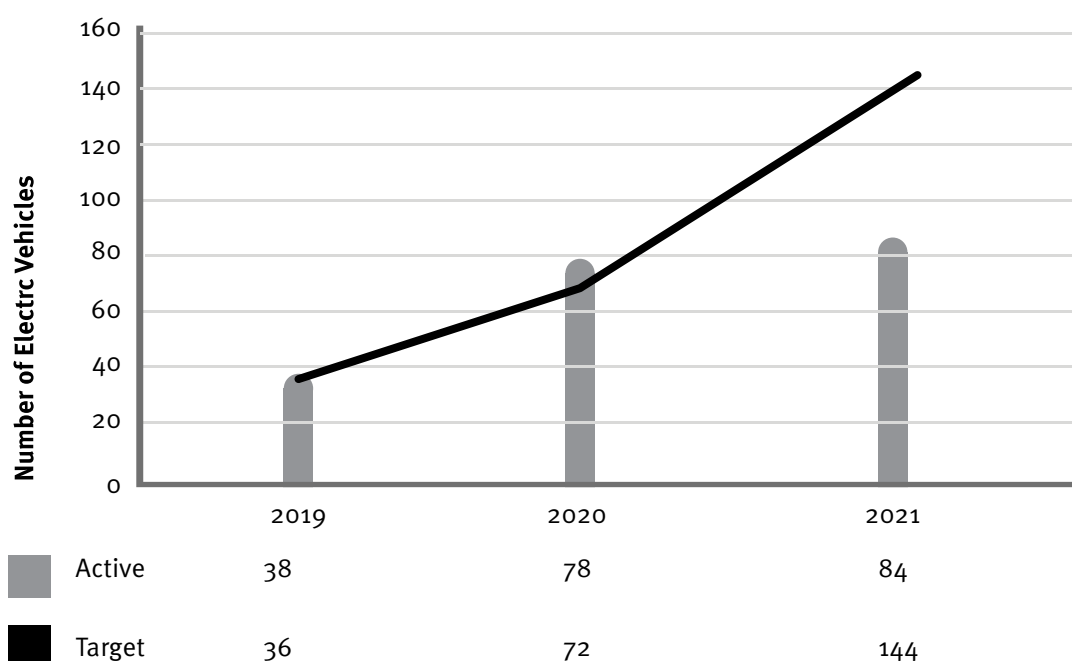
- continuing the COVID-19 Procurement Response, including enabling the Unite and Recover: Queensland Economic Recovery Plan through category strategies, with a focus on driving government targets and commitments for procurement such as the Queensland Government small and medium enterprise procurement target
- collaborating with suppliers to deliver products and services during COVID-19, e.g. implementing electronic execution of contracts and matching buyers with suppliers of Personal Protective Equipment and other in-demand goods and services through the COVID-19 Supplier Portal
- establishing the whole-of-government COVID-19 Procurement Response Taskforce, and pivoting the procurement workforce to respond and assist with essential COVID-19 activities
- releasing the Queensland Procurement Policy 2021, including implementing a procurement target for Queensland small and medium sized enterprises, and emphasising a focus on supporting local jobs, along with expectations to do business with ethically, environmentally and socially responsible suppliers
- enhancing and operating the procurement compliance function to enable government suppliers and agencies to meet their commitments under the Queensland Procurement Policy
- supporting the Buy Queensland procurement approach through enhancements to the compliance and enforcement framework focusing on supplier compliance with the Best Practice Principles, local benefits, Ethical Supplier Mandate, Ethical Supplier Threshold, and also the requirements of the Queensland Government Building and Construction Training Policy
- ensuring a diverse range of suppliers on whole-of-government standing offer arrangements including Aboriginal and Torres Strait Islander businesses, Queensland small and medium enterprises, regional businesses and social enterprise
- establishing new and renewing existing whole-of government panel arrangements in areas including telecommunications, network hardware, corporate services software and ICT research services
- growing the 'Buy Queensland first' commitment for food and beverages by increasing supplier registrations, and increasing use of the Queensland Government Food and Beverage Supplier Directory by government, private organisations and the public
- achieving targeted savings for electricity supply to government agencies of approximately \$35.8 million for large sites and \$2 million for small sites July-May 2021*
- establishing the new Electricity Metering and Data Arrangement and achieving savings of approximately \$248,000 for metering July-May 2021*.

* Note: savings are re-purposed within agencies to support service delivery.

We provided safe, fit-for-purpose and environmentally responsible fleet management services to government agencies by:

- continuing to implement the QFleet Electric Vehicle Transition Strategy for the Queensland Government motor vehicle fleet, including increasing the range and number of low emission and electric vehicles in the fleet
- continuing to promote road and driver safety for Queensland Government employees in line with QFleet's road safety initiatives
- achieving the 2020 target to double the number of electric vehicles in the QFleet supply to 72 and being on target to double this number to 144 by the end of 2021
- continuing to implement the QFleet Environmental Strategy and reduce QFleet's fleet emissions by:
 - » tightening procurement criteria to reduce the minimum vehicle specification for emissions
 - » transitioning to low and zero emission vehicles
 - » increasing the range of electric vehicles available for lease by customer agencies
- progressing the implementation of a new Fleet Management System with completion of the second software release
- achieving 5-star ANCAP safety rating for 92 percent of QFleet vehicles. This is two percent above the current target of 90 percent.

**QFleet Electric Vehicles Transition Strategy
30 June 2021**



Looking forward

While firmly focused on delivery, we also look to the future. In 2021–22, we will continue to work across government to realise and support government priorities by:

- helping Queensland Unite and Recover by promoting the Buy Queensland approach
- increasing opportunities for ethical Queensland small-to-medium enterprises, local, social, and Aboriginal and Torres Strait Islander business participation
- making procurement easier for buyers and suppliers through improved systems, practices and processes
- implementing enhanced compliance functions to ensure the Queensland Government does business with ethical suppliers
- accelerating QFleet's transition to electric vehicles to achieve the annual target of 288 by 31 December 2022
- completing the implementation of QFleet's new Fleet Management System
- making available affordable used electric vehicles to the second-hand vehicle market.

OBJECTIVE THREE

Provide value-adding design, building policy, public works and asset management services that boost Queensland's growing communities

We deliver this strategic objective through our Building and Procurement Services area through the Building Services function, and through the commercialised business unit of QBuild. The following strategies enable the delivery of this objective:

- Deliver safe, efficient and environmentally sustainable management of government property
- Manage building, construction and maintenance activities and programs
- Deliver major projects
- Contribute to a safe, fairer and more sustainable building and construction industry.

Strategic Objective Performance Indicator	Actual 2020–21	2020-21 Target
ROI on commercial properties included in Government's office portfolio ¹	6.3%	≥6.5%
Maintenance spend on QBuild's customers' facilities with local suppliers ²	81%	80%
Successful QBuild apprentice completions ³	86%	70%
Local workers inducted on major project sites	86%	85%

Notes:

1. The variance between 2020–21 Target and 2020–21 Actual is mainly due to the provision of rent relief to non-government tenants between July and December 2020 due to COVID-19.
2. The variance between 2020–21 Target and 2020–21 Actual has been driven by an influx of work towards the end of the year, using Local Zone 1 suppliers.
3. This is a new measure introduced in March 2021. The target is based on a combination of historical QBuild data and Queensland construction skill industry data. QBuild uses a Predicted Completion Rate formula to provide an initial representation of the completion rate until the first batch of apprentices finish in 2022. After this, the Actual Completion Rate formula will be used as a more reliable and accurate representation of completion.

Our achievements 2020–21

We delivered safe, efficient and environmentally sustainable management of government property by:

- working collaboratively with Queensland Government agencies and industry to deliver office accommodation savings and help realise the economic benefits of the Queensland Government's Savings and Debt Plan
- providing cost effective and efficient office accommodation solutions for Queensland Government agencies to support service delivery
- responding to emerging government agency requirements by providing a Distributed Work Centre network in four centres across South East Queensland to support increased choice in work locations, and reduce reliance on Brisbane CBD accommodation
- delivering 30 new government employee residences to support the attraction and retention of skilled staff in rural and remote areas including Aboriginal and Torres Strait Islander communities and enable police, teachers, and other government workers to deliver critical frontline services.

We managed building, construction and maintenance activities and programs by:

- expanding the QBuild Apprenticeship Program, creating employment opportunities for apprentices and tradespersons state wide. Since the Rebuilding QBuild Program began, 40 apprentices and 145 qualified tradespeople have been engaged by QBuild. A total of 71 apprentices and 350 tradespeople are working across the state as at 30 June 2021

- working cohesively with Queensland Government agencies to effectively manage asset portfolios, creating value for money partnerships, and enabling agencies to deliver more services to Queenslanders
- supporting the Queensland Procurement Policy by delivering maintenance and facilities management with both local and regional contractors and suppliers to advance the government's economic, environmental, and social objectives
- broadening and integrating our workplace health and safety, and wellbeing strategies at the beginning of our partnerships with Queensland Government agencies
- fast-tracking payments to building and maintenance businesses during the COVID-19 pandemic, boosting business cash flow and supporting Queensland jobs
- continuing a capital program including commencement of a further 13 residences for delivery by 30 June 2022, and continuing an upgrade and maintenance program in regional and remote locations to ensure government employee housing is safe and secure
- progressing rectification by QBuild of over 150 Queensland Government buildings assessed as potentially having combustible cladding
- streamlining the building prequalification application process to save industry time, reduce red tape and implement improved performance reporting on registered contractors through a new questionnaire
- delivering the Women in Construction exemplar project at Cannon Hill to achieve an overall 30 percent female participation rate for the project.

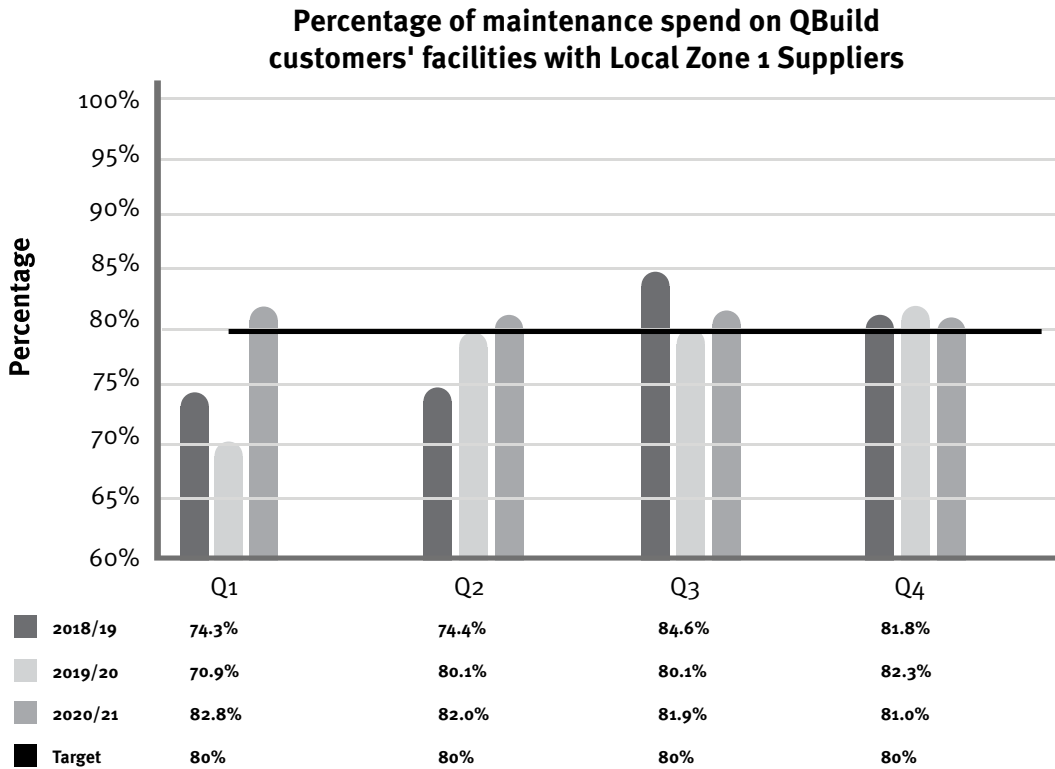
We delivered major projects, such as:

- the refurbishment component of the Cairns Convention Centre refurbishment and expansion project which reached practical completion on 5 May 2021. This saw the front of house public spaces, patron amenities, food and beverage facilities, and back of house operational areas completed
- a 2,000-capacity temporary pop-up arena as an alternative sporting venue while the Cairns Convention Centre was closed for refurbishment works. Built by a 147-strong local workforce, all 52 trade packages were awarded to local Cairns businesses
- a \$16.5 million program for 30 new government employee housing residences for various government agencies to accommodate their employees, including a 13-unit complex on Thursday Island
- a \$35 million Gabba refurbishment that included upgrades to the public, media and corporate facilities in the venue to enhance the fan experience.

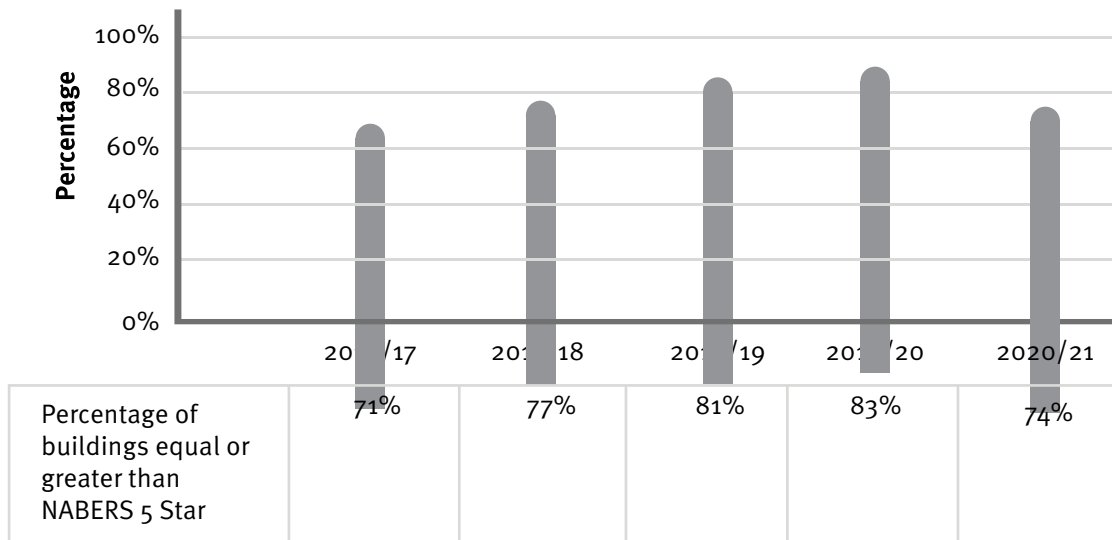
We also contributed to a safer, fairer and more sustainable building and construction industry by:

- commencing reforms relating to progress payments, building certification and licensing to promote security of payment to subcontractors and the integrity of our regulatory system. This includes commencing a new, streamlined trust account framework, initially applying to eligible government contracts between \$1 million and \$10 million

- delivered a streamlined and modernised fire protection licensing framework to protect Queenslanders
- successfully advocating for the inclusion of minimum accessibility provisions for residential housing and apartments in the National Construction Code 2022 to make Queensland homes safe, secure, and livable
- supporting industry throughout the COVID-19 pandemic and recovery, including through the management of the specialist worker exemption process and by funding a mediation service to assist building owners and builders navigate material and labour shortages
- contributing to a robust national reform agenda by collaborating with various government agencies, the Australian Building Codes Board, regulators and industry on both policy and technical reforms
- streamlining the building prequalification application process to save industry time, reduce red tape and implement improved performance reporting on registered contractors
- continuing to deliver design reviews across government for major projects to enhance and improve the quality of buildings and places for our communities. The major projects include the new Toowoomba and new Bundaberg hospitals, Queen’s Wharf Brisbane, the New Performing Arts Venue, and The Spit Gold Coast
- Office of the Queensland Government Architect partnering with Queensland Health to deliver the first Healthy Places, Healthy People Report, establishing an evidence base that supports well-designed, healthy and sustainable environments in Queensland.



Energy performance — Office rated portfolio Percentage of buildings equal or greater than NABERS 5 Star



Note: Includes office buildings only. Excludes operational sites such as data centres, archival facilities, bridges, etc. The variance between 2019–20 Actual and 2020–21 Actual is due to COVID-19 impacts from staff working from home and reduced consumption. Energy is still required for core building functions and reduced occupancy has resulted in a decrease of building performance as the calculation is based on ratio of occupant to energy use and area.

Looking forward

While firmly focused on delivery, we also look to the future. In 2021–22, we will continue to work across government to realise and support government priorities by:

- continuing to deliver Queensland Building Plan reforms and government commitments that help create a safer, fairer, more sustainable building and construction industry
- supporting the government's commitment to provide a cost effective and efficient office portfolio that provides flexibility for workers and supports both service delivery and the economic sustainability of commercial industries
- continuing the implementation of key office refurbishment and relocation projects to deliver savings in office accommodation costs to contribute to the Savings and Debt Plan
- continuing to deliver safe and secure government employee housing for our regional and remote workforce to deliver essential services
- QBuild providing a sustainable service for our partners and the community through:
 - » continued focus on a high-quality apprenticeship program
 - » capability uplift of QBuild staff skills, knowledge and experience
 - » development of long-term partnership agreements with other Queensland Government agencies to maximise service value, and deliver projects and programs on time and on budget
 - » continued application of the Queensland Government Procurement Policy
- continued delivery of the expansion of the Cairns Convention Centre project, which will see new facilities including a 410-seat flat floor plenary space, three 120-seat meeting rooms, additional exhibition space for 30 booths, a 500-seat rooftop banquet facility, and associated pre-function patron facilities
- continued delivery of key strategic projects including Southern Queensland Correctional Precinct (Gatton), the Satellite Hospital Program and the New Performing Arts Venue, by ensuring time, cost and quality parameters are appropriately met
- continuing improvement to the building prequalification application through consultation with government agencies, industry and peak bodies ensuring the existing ICT platform performs to expectations
- continuing to deliver the redevelopment project in partnership with the Queensland Ballet to transform the heritage listed, state-owned Thomas Dixon Centre into a centre of artistic excellence. The Queensland Government's investment towards the expansion and fit out of the ageing centre will preserve and revitalise the cultural heritage of the site for the next 100 years
- continuing the delivery of key strategic projects including the West Moreton Youth Detention Centre, the Southern Queensland Correctional Precinct (Gatton), the Capricornia Correctional Centre expansion (Rockhampton), the New Performing Arts Venue and the Satellite Hospital Program ensuring time, cost and quality parameters are appropriate met.

Service Delivery Statements – Performance

Energy Services	2020–21 Target/Est	2020–21 Actual
Effectiveness measures		
Renewable energy as % of total energy consumed in Queensland The Queensland Government has announced a target of 50% renewable energy as a percentage of total energy consumed in Queensland by 2030.	20%	20.2%
Average time of energy (electricity and gas) licensing assessments The variance between 2020–21 Target/Estimate and 2020–21 Actual has been driven by proactive assessment management by the department's Regulatory Policy team to ensure continued delivery within the performance target.	90% ≤4 months	100%
Efficiency measures		
Cost per biofuels exemption application assessed The variance between 2020–21 Target/Estimate and 2020–21 Actual is due to the unification of the department's Energy Operations Regulation team in July 2020 and through continual improvement initiatives. The unification of the team has increased shared regulatory knowledge and provided an opportunity for flexible resource allocation.	≤\$4,680	\$2,970

Building and Procurement Services	2020–21 Target/Est	2020–21 Actual
Service: Government Accommodation		
Effectiveness measures		
Return on investment		
Commercial properties included in the office portfolio The variance between 2020–21 Target/Estimate and 2020–21 Actual is mainly due to the provision of rent relief to non-government tenants between July and December 2020 due to COVID-19.	≥6.5%	6.30%
Government employee housing The variance between 2020–21 Target/Estimate and 2020–21 Actual is mainly due less expenditure on property rates than forecast.	≥1.5%	1.62%
Vacancy rate		
Office portfolio The variance between 2020–21 Target/Estimate and 2020–21 Actual is principally due to the ongoing strategic management of the office portfolio and delivery of a number of departmentally funded projects in the CBD and regional locations to secure tenants into existing portfolio vacancy. Vacancy rate further reduced in the second quarter of 2020 with the establishment of a number of initiatives across the state to address COVID-19 impacts.	≤3.5%	2.45%
Government employee housing The variance between 2020–21 Target/Estimate and 2020–21 Actual is due to the increased use of the vacant residences by private tenants and the divestment of vacant residences that have been deemed surplus to employee housing requirements.	≤6%	2.79%

Building and Procurement Services	2020–21 Target/Est	2020–21 Actual
Percentage of government-owned employee housing with an acceptable facility condition index rating The variance between 2020–21 Target/Estimate and 2020–21 Actual is due to the low level of maintenance liability at the end of the financial year following delivery of most of the identified maintenance works in 2020–21.	≥90%	99.42
Energy performance – percentage of occupied government office accommodation achieving a rating ≥5 star under the National Australian Built Environmental Rating System The variance between 2020–21 Target/Estimate and 2020–21 Actual is due to COVID-19 impacts from staff working from home and reduced consumption by up to 19 percent in the major building portfolio. Energy is still required for core building functions and reduced occupancy has resulted in a decrease of building performance as the calculation is based on ratio of occupant to energy use and area.	>80%	74%
Efficiency measures		
Work point density		
Average Due to new fit outs delivered in the 2020–21 financial year achieving on average 11.1m ² , the overall average density achieved 12.26m ² .	13.5m ² per person	12.26m ² per person
New fit out The target is a maximum benchmark and through the application of the Office Accommodation Fit out Framework Fit out guidelines. Fit outs delivered in the 2020–21 financial year achieved on average 11m ² per person.	12m ² per person	11.1m ² per person
Service: Procurement		
Efficiency measures		
Operating cost per \$1,000 of managed spend on general goods and services Procurement spend data (for 2020–21) will be published at www.epw.qld.gov.au before the end of 2021.	≤\$2	Not available

QBuild	2020–21 Target/Est	2020–21 Actual
Effectiveness measures		
Overall customer satisfaction The 2020–21 Actual is not provided as this is a biennial measure with the next survey to be conducted in 2021–22.	Biennial measure	Biennial measure
Percentage of maintenance spend on QBuild's customers' facilities with Local Zone 1 suppliers (based on physical location of contractor's workplace) The variance between 2020–21 Target/Estimate and 2020–21 Actual has been driven by an influx of work towards the end of the year, using Local Zone 1 suppliers.	80%	81%
Efficiency measures		
Gross profit as a percentage of revenue generated from work delivered on behalf of QBuild customers	8.1%	8.1%
Net profit before tax and dividends as a percentage of sales The between 2020–21 Target/Estimate and 2020–21 Actual is mainly due to the increase in contribution from a higher volume of sales and the net reduction in overall administrative costs.	0.0%	0.8%
Current ratio The variance between 2020–21 Target/Estimate and 2020–21 Actual is mainly due to general movements in business operational activity including the continued support of small and medium enterprises during the COVID-19 pandemic by paying vendors immediately.	1.7:1	2.06:1

QFleet	2020–21 Target/Est	2020–21 Actual
Effectiveness measure		
Overall customer satisfaction The 2020–21 Actual is not provided as this is a biennial measure with the next survey to be conducted in 2021–22.	Biennial measure	Biennial measure
Percentage of total QFleet vehicles with a 5-star ANCAP safety rating The variance between 2020–21 Target/Estimate and 2020–21 Actual is due to QFleet’s strong stance of introducing 5-star ANCAP rated vehicles into the fleet wherever possible, allowing for a small number of fit-for-purpose exemptions. Due to the ongoing requirement for specific vehicles within Government that do not carry an ANCAP rating, the target for QFleet fleet remains at 90 percent.	90%	92%
Efficiency measures		
Current ratio The variance between 2020–21 Target/Estimate and 2020–21 Actual is mainly due to movements in cash balances and inventory as part of normal business operations and an increase in provisions for dividends and income tax due to a higher operating surplus in 2020–21.	2.89:1	2.5:1
Return on net assets The variance between 2020–21 Target/Estimate and 2020–21 Actual is mainly due to a higher operating surplus achieved than budgeted.	4.0%	9.3%
Gearing level The variance between 2020–21 Target/Estimate and 2020–21 Actual is mainly due to a higher operating surplus after tax and dividend resulting in higher equity.	67.4%	64.8%
Percentage of vehicle fleet utilisation compared to agreed lease parameters The variance between 2020–21 Target/Estimate and 2020–21 Actual can be attributed to the impact of COVID-19. Government staff continue to work remotely, and some services have moved to online delivery, significantly reducing the distance fleet cars travelled in 2020–21.	90%	80%

Our people

Our workforce profile

SDS service area	Full-time equivalent
Energy Services	95.7
Building and Procurement Services	263.2
QBuild	1,195.7
QFleet	48.2
Total	1,602.8

Table: Staffing numbers – Minimum Obligatory Human Resource Information (MOHRI) data for fortnight ending 18 June 2021

The permanent separation rate result for 2020–21 is approximately 3.55 percent.

No redundancy, early retirement or retrenchment packages were paid during the period.

Inclusion and diversity

The department is committed to creating a diverse workforce which is reflective of the community we serve, and a workplace where everyone feels safe, respected and included. This is to ensure we are:

- attracting, retaining and developing a diverse array of talent
- understanding the diverse needs of our customers
- providing services and workplaces which are culturally safe for Aboriginal and Torres Strait Islander peoples.

Our *Inclusion and Diversity Strategy* affirms our commitment to building an inclusive culture that promotes the skills and insights of all people, irrespective of differences.

In 2020–21, a number of key initiatives were successfully implemented, including:

- celebrating a range of diversity events such as Disability Action Week, Pride Month, NAIDOC Week and Multicultural Month
- the launch of the department's *Aboriginal and Torres Strait Islander Advancement Framework* to ensure continued alignment to our strategic commitments as outlined in the *Queensland Closing the Gap Implementation Plan*, the *Reconciliation Action Plan* and the priorities identified through employee forums
- the introduction of the Culture Conversation Series which provides employees with information and resources to help build a safe and respectful workplace.

The department also continued to:

- strengthen the Aboriginal and Torres Strait Islander employee network and the network which helps to implement activities which support our LGBTIQ+ employees and community
- support employees to balance their work, family and personal responsibilities through access to flexible work arrangements.

The department is committed to achieving the whole-of-government Equal Employment Opportunity (EEO) targets.

EEO target group	Department status	Target
Aboriginal and Torres Strait Islander peoples	3.2%	3%
People from culturally and linguistically diverse backgrounds	5.9%	10%
People with disability	5.3%	8%
Women in leadership	39.0%	50%

Table: EEO targets and results

Planning our workforce

During 2020–21, our primary workforce focus was to ensure we had the right people to deliver on our department and government priorities.

In 2020–21, we:

- ensured resources were deployed quickly and efficiently to areas of greatest need across the sector through participation in the Employee Mobilisation Scheme and the Community Recovery Ready Reserve
- supported the development of quality tradespeople for the future by:
 - » continuing to recruit apprentices and tradespeople across the state through the Rebuilding QBuild Program. Since the program began, 40 apprentices and 145 qualified tradespeople have been recruited by QBuild. A total of 71 apprentices and 350 tradespeople are Working for QBuild, across the state, as at 30 June 2021
 - » providing our apprentices with access to best practice industry training and ensuring they received every opportunity to complete their overall apprenticeship
- prioritised the development of policy and digital capability by engaging graduates as part of the Policy Futures Graduate Program and the Digital and ICT Graduate Program.

Planning our future

The department recognises the importance of building organisational capability to provide service excellence and meet future challenges.

In 2021–21, we:

- continued the implementation of an enterprise electronic document and records management system (eDRMS), progressing the transition from a paper-based records culture to managing records digitally and uplifting recordkeeping capabilities across the department
- continued to enhance our Information Security Management System, acknowledging our holding of critical information, and understanding our role as information owners and the importance of securing our data
- rapidly matured mobility enablement to support staff working from home due to COVID-19 and general flexibility entitlements, allowing the department to continue to deliver critical services to Queenslanders
- commenced the Hybrid Identity program of work, which will deliver an environment that allows all department employees to be on the same Microsoft 365 tenancy to enable greater collaboration and provide a consistent user experience.

Managing our employee performance

The department is committed to developing the technical and professional skills and capabilities of our workforce by providing all employees access to a broad range of learning and development opportunities delivered in a variety of ways.

In 2020–21, we:

- provided induction training and onboarding to employees to ensure they felt welcomed and received the information they needed to be successful in their role and within our department
- introduced 70 new courses, modules and e-learning assets, covering a range of departmental and business-specific topics
- commenced development of a suite of performance management resources to support the Queensland Public Service Commission's *Positive Performance Management Directive*
- continued to undertake formal and informal professional development conversations to support a positive workplace culture and identify and implement suitable learning opportunities.

Recognising our employees

The department recognises the strong link between employee recognition and a more productive, engaged and satisfied workforce. Our formal recognition programs include:

- Recognition of Excellence Awards
- Australia Day Community Achievement Awards
- NAIDOC Awards
- long service awards
- business area awards programs.

Ensuring our wellbeing

A healthy and safe workplace is one of the department's core values and the department is committed to providing all employees, contractors, customers, visitors and members of the public with a safe and healthy working environment.

The department aims to achieve Zero Harm: where there is no harm to any employee, any time while at work, and a workplace where our:

- people are committed to creating and maintaining a healthy and safe place to work
- leaders embrace and demonstrate healthy and safe work practices and recognise that health, safety and wellbeing extend beyond the workplace
- support services are readily available and accessible across all regions to employees and eligible family members to improve wellbeing and help alleviate stressors that can have significant impact to productivity and performance
- culture supports maintaining a healthy and safe work environment, where there is zero tolerance for unreasonable or 'at risk' behaviours.

In 2020–21, we:

- reviewed and implemented a new flexible work arrangement policy and guideline that better reflected the need to maintain a safe and sustainable work from home arrangement throughout the department's ongoing COVID-19 pandemic response
- continued to provide all employees with access to a range of flexible working options regarding where, when and how they work including part-time work, job sharing, telecommuting, access to Distributed Work Centres, staggered start and finish times, purchased leave, aggregated/averaging ordinary hours, and leave for parental and/or caring purposes
- provided employees across all regions access to influenza vaccinations
- continued to develop our *Healthy and Safe Workforce Action Plan* to assist in achieving a zero-harm culture, improve systems to enhance employee health, safety and wellbeing, and to improve workplace health and safety performance
- continued to focus on providing appropriate support to employees affected by domestic and/or family violence and worked towards White Ribbon reaccreditation.

Our leaders

In 2020–21, the department continued to build its leadership capability at all levels in alignment with the Queensland public sector Leadership competencies for Queensland:

- 30 employees participated in QUTex short courses to explore multiple topics that present challenges in complex environments. The programs build on leadership and management skillsets and capabilities such as influencing, negotiating, collaborating and strengthening relationships with internal and external stakeholders
- 24 employees participated in the Enterprise Leadership Program, 10 employees completed Taking the Lead Program and four completed the Leader Support Series. These initiatives are designed to develop our emerging leaders and prepare them to lead a workforce of the future
- 19 employees participated in the Leading in a Rapidly Changing World workshop, which assists managers and leaders to support their teams in an ever-changing environment
- 56 project managers participated in the Gutsy Influencing and Gutsy Presenting workshop to improve communication and presentation skills
- a number of employees participated in the ANZSOG Masterclass for Leaders Program and the ANZSOG Executive Fellows Program.

Our industrial and employee relations framework

As at 30 June 2021, there are four certified agreements covering employees in the Department of Energy and Public Works:

- QBuild Field Staff Certified Agreement 2019 (FSA10) – covering QBuild field staff
- QBuild Office Staff Certified Agreement 2019 – covering QBuild office staff
- QFleet Certified Agreement 2018 – covering QFleet staff
- State Government Entities' Certified Agreement 2019 (Core Agreement) – covering the remainder of the department's certified agreement covered employees.

During 2020–21, the then Department of Housing and Public Works successfully renegotiated the agreement applying to QBuild field staff and QBuild office staff.

The department continues to support the government's policies on the contracting-out of services, union encouragement and employment security.

The department is committed to stability and employment security for its employees. We maximise permanent employment through the continued conversion of temporary employees to permanent, where possible. The department also limits the contracting-out of services.

Our Code of Conduct

Being an employee in the Queensland Public Service involves a significant level of trust to perform required duties to a high standard, both with respect to public administration and conduct.

To ensure the department's employees are aware of their ethical obligations under the *Public Sector Ethics Act 1994*, the department has an established Public Sector Ethics online training module. The module includes content relating to the Code of Conduct for the Queensland Public Service (the Code of Conduct), the four ethics principles, key legislation guiding professional conduct and employees' responsibilities and obligations to disclose conflict of interests.

Public Sector Ethics training is provided to new employees as part of their induction, and employees are additionally required to undertake a mandatory refresher training on an annual basis.

The department's policies and procedures are similarly established and reviewed, giving due consideration to the Code of Conduct and the associated framework governing ethical conduct in the Queensland Public Service. These policies and procedures support department employees to undertake their roles in an impartial and apolitical manner.

Setting, implementing and monitoring integrity standards and managing our non-conformance demonstrates the department's commitment to integrity and ethical conduct.

The department's Integrity Services Unit deals with corrupt conduct matters including fraud and corruption, and provides expert and high-level advice about conflicts of interest, public interest disclosures, complaints management and other integrity-related matters.

During 2020–21, the Integrity Services Unit revised the department's *Complaints Management Policy* and procedure to incorporate requirements under the *Human Rights Act 2019* as well as commenced a refresh of the department's integrity framework.

Embedding human rights

The department is committed to safeguarding the human rights of all Queenslanders, as stated in our Strategic Plan 2020–2024. As a new department, we have been working to embed the *Human Rights Act 2019* (HR Act) into our business to ensure we act and make decisions that are compatible with human rights.

Policy and legislation reviews

In 2020–21, we:

- reviewed legislation and subordinate legislation against the requirements of the HR Act
- commenced development of policies for the new department that include consideration of compatibility with human rights requirements
- partnered with the Department of Justice and Attorney General to establish a whole-of-government online human rights assessment tool.

Human rights complaints

We received no human rights complaints during 2020–21.

Our governance

Our governance arrangements ensure we meet our strategic objectives and our resources are allocated appropriately to maximise the cost-effective delivery of services. Our Governance Committee Framework comprises the Executive Leadership Team and four governance committees.

Executive Leadership Team

The Executive Leadership Team is the department's principal strategic governing body, responsible for setting the strategic direction of the department, demonstrating leadership, overseeing financial and business performance, ensuring effective use of resources and supporting the Director-General as the Accountable Officer.

Our Executive Leadership Team:

- sets the department's strategic direction, goals and performance levels, aligned to government objectives
- provides stewardship over the implementation of programs and policies
- demonstrates visible and aligned leadership to the agency
- ensures effective financial management and use of resources, including reprioritisation when necessary
- monitors the performance of business activities and the achievement of priorities and objectives
- ensures effective business continuity practices and culture within the department
- supports the Director-General, as the accountable officer, to meet legislative requirements and accountabilities.

The Executive Leadership team also plays a key role in ensuring an effective enterprise risk management system and monitoring departmental risks.

Our Executive Leadership Team, comprising the Director-General and all Deputy and Assistant Directors-General, meets monthly to discuss operations and three times a year to explore strategic issues for the department.

Our Executive Leadership Team as at 30 June 2021

James Purtill

Chair: Director-General

BSc (Hons), MBA, GAICD, FANZSOG, FIPAA

James Purtill was appointed as Director-General of the Department of Energy and Public Works in November 2020. Prior to this James was Director-General of the Department of Natural Resources and Mines from July 2015, and from December 2017 he led the Department of Natural Resources, Mines and Energy. Prior to this appointment, James was the Director-General, Department of Aboriginal and Torres Strait Islander Partnerships, a position held since 2013.

James was formerly the Director-General of Queensland's Environmental Protection Agency and Commissioner of the Public Service. His private sector experience includes a senior role with a large multi-national engineering, procurement and contract management firm, and he served as Managing Director for an environmental rehabilitation company.

Graham Atkins

Member: Deputy Director-General, Building

BASc (Quantity Surveying), ADip App Sc (Building)

Graham has vast experience in the building and construction industry spanning a number of decades. Graham has contributed to the Executive Leadership Team in his role as Deputy Director-General since July 2011.

Graham has held senior executive positions within other government departments, including Deputy Director-General of the Department of Education and Training, where he was responsible for infrastructure planning and delivery. Graham holds a Queensland Open Builders Licence.

Robyn Turbit

Member: Deputy Director-General, Corporate

BCom, BEcon

Robyn has worked in various iterations of the department for more than 30 years. Robyn held a variety of audit and finance related positions in the department and has led the Corporate division since 2007.

Robyn has worked in various public and private sector organisations during her career, predominantly in accounting, auditing and governance functions and has undertaken roles using many employment styles, including full-time, part-time, telecommuting and contracting.

Stephanie Jolly

Member: Acting Deputy Director-General, Energy

ExecMPubAdmin, BA (Hons)

Stephanie Jolly is an experienced policy practitioner, who has worked across the Australian and Queensland Government for more than 18 years.

For the last 13 years Stephanie has worked for the Queensland Government to create and build innovative solutions to transform the energy future of Queensland. She worked on the emerging liquefied natural gas industry, electricity pricing, electricity consumer issues, renewable energy, and holistic energy policy and strategy.

Sharon Bailey

Member: Deputy Director-General, Procurement

BSocWk, BA, PgD-Arts

Sharon re-joined the Queensland Government in April 2019 and brings extensive economic and social policy experience to her role in Queensland Government Procurement.

Prior to that, Sharon spent seven years with the Australian Government, undertaking corporate and policy roles in the Department of Social Services. This followed numerous roles across the Queensland Government, including the Departments of the Premier and Cabinet, Public Works, and Families and Communities.

Richard Cassidy

Member: Assistant Director-General, Building Policy

BCom

Richard commenced as Assistant Director-General, Building Legislation and Policy in February 2019 and brings many years' strategic leadership experience within public sector environments. Richard's approach is characterised by a strong focus on outcomes and a demonstrated ability to develop policy and strategy solutions, which meet the needs of diverse stakeholder groups.

Richard has previously worked for the department as the Executive Director, Office of the Chief Advisor Procurement, where he led the development and implementation of the Buy Queensland procurement policy to deliver broader economic, social and environmental outcomes for Queensland through the government's procurement spend.

Richard has also spent time as a management consultant providing infrastructure advisory services and prior to that worked for Queensland Health implementing large system-wide reforms.

Paige Ridgewell

Member: Assistant Director-General, QBuild

BLeisSt, MBA, MPP, MAICD

As QBuild's Assistant Director-General, Paige exemplifies strong leadership with extensive experience in managing and directing teams to achieve high-level outcomes in strategy, policy and program development.

Paige's extensive Queensland public sector career spans across a number of portfolios. She is known for her experience in successfully leading transformation within government through community collaboration and co-design and a strong focus on creating better futures for Queenslanders.

Paige brings her many years' experience as an athlete, coach and administrator to the work environment by applying the principles of high performance, training and teamwork.

Governance committees

The department has four committees which support the Executive Leadership Team, each advising on activities within their Terms of Reference or Charter. The committees listed in the Governance Committee Framework as at 30 June 2021 are detailed below.

Digital and ICT Steering Committee

The Digital and ICT Steering Committee provides advice to the Director-General through the Executive Leadership Team, about the effective alignment and deployment of departmental Digital and ICT investments and resources to the department's strategic objectives and the government's priorities. The committee is also responsible for the management of the department's strategic information risks and the effectiveness of the EPW Information Security Management System. The committee was approved to be established in late 2020–21.

People and Culture Committee

The People and Culture Committee provides strategic support to the Director-General and Executive Leadership Team to build a culture that reflects the department's values through effective human resource strategies and programs. The committee focuses on strategic leadership, workforce investment and capability, people management practices, risk and innovation strategies. The committee has a strong focus on diversity through actively targeting a broad range of issues and opportunities across the department in consultation with various diversity groups.

Safety and Wellbeing Committee

The Safety and Wellbeing Committee provides direction and leadership to support an effective workplace health and safety (WHS) management system to achieve improved safety performance and culture. The committee focuses on providing strategic direction on WHS policies and the management of WHS risks, the effective resourcing of activities, critically reviews WHS performance and lead initiatives, monitors WHS plans and legislative compliance.

Audit and Risk Committee

The Audit and Risk Committee provides independent advisory services, supporting the Director-General in the effective discharge of responsibilities under the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and other relevant legislation, and prescribed requirements.

The Audit and Risk Committee Charter sets out the authority, roles and responsibilities, membership and operations expected of the committee.

Chair: Peter Dowling (external member)

Members:

- Julie-Anne Schafer (external member)
- Richard Cassidy, Assistant Director-General, Building Policy.

In 2020–21, the Audit and Risk Committee:

- considered internal audit reports, Queensland Audit Office reports, including performance audit reports, and associated recommendations
- endorsed the internal audit charter as well as the strategic and annual internal audit plan.

The Audit and Risk Committee met on two occasions during 2020–21.

The remuneration paid to two external members was as follows: Peter Dowling (\$2,880) and Julie-Anne Schafer (\$1,980).

Risk management

Our *Risk Management Framework* is based on international standard AS/NZS ISO 31000:2018. It ensures that risk management is integrated with management processes and responsibilities. The framework is a fundamental part of the department's governance activities and is a critical feature of our strategic and operational planning, service delivery, management, and decision-making processes. It also protects the department against fraud and corruption and helps to safeguard the safety and wellbeing of our employees.

In 2020–21, as a new department, we established our risk management system by developing a new risk management policy and framework. Risk review processes were put into practice, with a focus on regular reviews of operational risks to ensure appropriate controls and treatments are in place. Reporting to our Executive Leadership Team centres around high risks, particularly where control improvements may be possible, and those that are fraud related.

To increase the awareness of risk management and build capability, we published an online Risk Resource Centre for staff which incorporates tools, templates and guidance materials. We also established a network of risk coordinators across the agency to assist in building good practice.

Internal Audit

The Internal Audit Unit provides independent assurance and advice to the Director-General, senior management and the Audit and Risk Committee.

The Internal Audit Unit operates a quality assurance and improvement program which identifies opportunities to ensure the efficient, effective and economical operation of the function. During 2020–21, an independent quality assurance review was undertaken on the Internal Audit function, to assess compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (the standards). The independent quality assessment determined that the Internal Audit Unit conformed with the standards, and is achieving the expectations of the Audit and Risk Committee and management. The Internal Audit Unit's maturity was also independently assessed as strong and effective with the unit's capabilities associated with that of a mature and complex organisation.

The Internal Audit Unit considers the departmental risks and changing risk environment when developing the strategic internal audit plan and triaging its program of works. The Internal Audit Unit collaborates with the corporate risk management function to ensure appropriate coverage and management of risks and controls across the department.

During 2020–21, the Internal Audit Unit completed six internal audit reviews, four management requests, provided independent

advice on a variety of project committees, followed-up on open audit recommendations and provided ad-hoc advice to managers on a range of issues.

Information systems and recordkeeping

The department complies with the *Public Records Act 2002* to keep and maintain records of business activities. The department's Recordkeeping policy was developed in accordance with the Act, and our supporting procedures provide guidance to our employees on the creation and management of departmental business records.

Our public records are retained in accordance with general or core retention and disposal schedules and relevant legislation.

In 2020–21, we:

- developed mandatory online recordkeeping training to improve the department's understanding and compliance
- completed four dataset migrations to create a consolidated records management system for the agency resulting from previous Machinery-of-Government changes
- continued the implementation of an enterprise eDRMS, progressing the transition from a paper-based records culture to managing records digitally and uplifting recordkeeping capabilities across the department
- provided advice and guidance to assist department employees to manage and dispose of records in accordance with the Retention and Disposal Scheme, including the transfer of records to other agencies
- established a recordkeeping community of practice to contribute to the uplift of recordkeeping practices across the department.

Information security attestation

During the mandatory annual information security reporting process, the Director-General attested to the appropriateness of the department's information security risk management to the Queensland Government Chief Information Security Officer. Appropriate assurance activities were undertaken to inform this opinion and the department's information security risk position.

The department is committed to continually enhancing its information security position and is implementing an Information Security Management System based on Australian standard *ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements*.

During 2020–21, the department detected and prevented many attempts to break through its security perimeter but did not suffer any serious security or data breaches.

External reviews

In 2020–21, the department was involved in the following reviews by the Queensland Audit Office:

- Report to Parliament 7: Delivering successful technology projects
- Report to Parliament 13: State government entities 2020 – the department obtained an unmodified audit opinion for the 2019–20 financial statements.

The department responds to recommendations made by coroners in findings of inquests. In 2020–21, the department:

- as the lead agency for one of 11 recommendations from a 2020 inquest related to amusement park safety, facilitated implementation by the Board of Professional Engineers Queensland of a fast-track assessment and registration process for professional engineers specialising in the area of amusement rides and devices
- as a supporting agency, continued to consult in relation to three recommendations from a 2016 inquest relevant to building industry inspections and standards relating to awnings
- as the lead agency, continued to consult with relevant stakeholders to progress the response to the fourth recommendation from the same 2016 inquest
- as the lead agency, continued to consult with relevant stakeholders to move towards finalising the response to the first recommendation from a 2014 inquest related to fire safety in tourist accommodation.

Whole-of-government plans and specific initiatives

The department has the following whole-of-government and specific-purpose plans:

- People and Culture Strategy
- Multicultural Action Plan 2019–2020 to 2021–22
- COVID-19 Disability Recovery Action Plan 2020–21
- Aboriginal and Torres Strait Islander Advancement Framework
- Reconciliation Action Plan 2018–2021
- Healthy and Safe Workforce Action Plan
- Fraud and Corruption Control Plan
- Queensland Domestic and Family Violence Prevention Strategy 2016–2026
- ICT Disaster Recovery Plan
- Strategic Internal Audit Plan 2020–21
- Procurement Plan 2020–24
- Queensland Government Procurement Strategy 2017
- Category strategies for each of the Queensland Government's six procurement categories:
 - » Building Construction and Maintenance
 - » General Goods and Services
 - » Information and Communication Technology
 - » Medical Goods and Services
 - » Social Services
 - » Transport Infrastructure and Services.

National Agreements and National Partnership Agreements

In 2020–21, the following activities occurred to progress Queensland's national commitments:

- multiple meetings of the Building Ministers' Forum, comprising the Australian Government and state and territory government ministers with responsibility for building and construction, which oversees policy and regulatory issues affecting Australia's building and construction industries
- multiple meetings and out of session decisions of the Energy National Cabinet Reform Committee and Energy Minister's Forum. These are Ministerial forums for the Commonwealth, states and territories and New Zealand to work together on priority issues of national significance and key reforms in the energy sector including: measures to ensure reliability and security of the electricity grid; the redesign of the National Electricity Market to take effect after 2025; and a package of reforms to unlock new gas supply, improve competition in the market and better regulate pipelines
- carrying out our obligations under the intergovernmental agreement between the Australian Government, states and territories that establishes the Australian Building Codes Board
- project agreement for Phase 2 of the Queensland Government's Household Resilience Program including \$21.25 million in funding. The Federal Government funded \$10 million, and the Queensland Government funded \$11.25 million. The Department of Communities, Housing and Digital Economy support the grant administration for the Program
- North Queensland Strata Title Inspection Scheme (NQSTIS) provides funding for inspections on strata titled properties in cyclone areas of North Queensland to assesses their susceptibility to weather damage for such events. The NQSTIS commenced in July 2018 and continued during 2020–2021. The scheme was further extended in 2021 and will operate until June 2023. The NQSTIS is federally funded and administered by the department with James Cook University as the delivery partner. Funding of up to \$12.5 million is available to undertake inspections and assessments of strata titled properties in cyclone areas of North Queensland
- the Australasian Procurement and Construction Council met, a peak council whose members are responsible for procurement, construction, asset management, and property management policy.

Overseas travel

An overseas travel expenditure report for the 2020–21 reporting year was not required due to overseas travel not being undertaken by any officers of the department.

Appendices

Appendix 1 – Statutory Bodies

The following statutory bodies and authorities prepare separate annual reports that are provided to the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

Name of body as described in the constituting Act	Constituting Act	Annual reporting arrangements
Board of Architects of Queensland	<i>Architects Act 2002</i>	Annual report to Parliament
Board of Professional Engineers of Queensland	<i>Professional Engineers Act 2002</i>	Annual report to Parliament
Queensland Building and Construction Commission	<i>Queensland Building and Construction Commission Act 1991</i>	Annual report to Parliament

Appendix 2 – Government bodies, boards and committees

The following bodies, boards and committees were active during 2020–21 with reporting arrangements to the department.

DEVELOPMENT TRIBUNALS (TRIBUNALS)	
Act or instrument	<i>Planning Act 2016</i> (Chapter 6, Part 2)
Functions	To provide an affordable, timely, accessible non-court-based resolution service for appeals by members of the public against decisions of local governments and private building certifiers about a range of building, plumbing and planning matters.
Achievements	<ul style="list-style-type: none"> In the period 2020–21 there were 62 appeals commenced and of those appeals 35 were decided or otherwise resolved. No new matters were taken on further appeal to the Planning and Environment Court resulting in a change to the Tribunal's decision. In March 2021 the three-year terms of previously appointed referees expired. Cabinet approved the appointment of 105 referees to hear Development Tribunal proceedings for a three-year term expiring in March 2024. This year's Annual Referee Training Seminar is expected to be held in Brisbane in September 2021.
Financial reporting	Appeal fees and member remuneration payments are accounted for in the financial statements.
Remuneration Referees are only paid if they are appointed to a Tribunal to decide an appeal. Fees for a standard appeal of eight hours or less are \$650 for the Chairperson and \$500 for an ordinary member. Fees for a complex appeal of eight hours or more are \$975 for a Chairperson and \$750 for an ordinary member. Referees are also remunerated for out-of-pocket expenses such as private vehicle travel and postage costs.	

QUEENSLAND URBAN DESIGN AND PLACES PANEL (ADVISORY)	
Act or instrument	Terms of Reference
Functions	The Queensland Urban Design and Places Panel provides state agencies and local governments with independent expert urban design advice on major infrastructure and urban-planning projects across Queensland.
Achievements	<ul style="list-style-type: none"> Detailed design review and advice to Building Queensland for the Toowoomba Hospital Redevelopment detailed business case and the Bundaberg Hospital Redevelopment Project. Detailed design review and advice provided to West Moreton Health for the Stage 2 Ipswich Hospital Expansion and Master Plan. Advice to Bundaberg Regional Council in relation to the Bundaberg Civic and Cultural Arts Precinct. Design review and advice to Economic Development Queensland regarding the Herston Quarter Redevelopment at Bowen Hills. Design review and advice to the Department of State Development, Tourism and Innovation regarding the proposed redevelopment at Village Centre South at The Spit on the Gold Coast.
Financial reporting	Panel member remuneration payments are accounted for in the financial statements.
Remuneration There are currently 30 members appointed to the Queensland Urban Design and Places Panel for a three-year term ending in January 2023. Members are only paid sitting fees if they are appointed to a design review sub-committee to consider a particular project. Panel members that are public sector employees, which includes the Chair, are not paid sitting fees. Daily sitting fees for non-government members are \$400 or \$200 where a sub-committee meets for four hours or less. No out-of-pocket expenses were incurred in 2020–21 as most design review sub-committee meetings were held virtually. Total remuneration costs for 2020–21 were \$15,200.	

ENERGY AND WATER OMBUDSMAN QUEENSLAND (EWOQ)	
Act or instrument	<i>Energy and Water Ombudsman Act 2006</i>
Functions	The Energy and Water Ombudsman Queensland (EWOQ) provides a free, fair and independent dispute resolution service for residential and small businesses throughout Queensland who have an unresolved issue with their electricity or gas provider. EWOQ also provides this service for residential and small business water customers in South East Queensland.
Achievements	<ul style="list-style-type: none"> EWOQ received a total of 6,067 cases during 2020–21. Most of these cases related to customer billing and credit. The majority of cases closed related to energy (gas and electricity) disputes. Outcomes from these cases included goodwill gestures, waived fees, billing adjustments, debt waivers and refund cheques, with the value of resolutions totalling around \$799,000. Regular interactions and information provided to the Department of Energy and Public Works regarding consumer complaints as a result of COVID-19 impacts.
Financial reporting	Financial transactions of the EWOQ are accounted for in the Energy and Water Ombudsman 2020–21 Annual Report.
Remuneration <p>The 2020–21 budget for EWOQ is \$8.909 million. The budget is funded directly through annual membership fees from energy and water retailers and distributors (scheme participants), as well as case fees paid in advance based on the volume of complaints received from the previous year, from customers of the scheme participants.</p>	

ENERGY AND WATER OMBUDSMAN QUEENSLAND ADVISORY COUNCIL	
Act or instrument	<i>Energy and Water Ombudsman Act 2006</i> (section 48)
Functions	The Energy and Water Ombudsman Queensland (EWOQ) provides small energy and water customers with a valuable service in assisting them to resolve disputes with their suppliers. An important aspect of the EWOQ scheme is the operation of the Advisory Council, which provides advice to the Ombudsman and the responsible Minister on the effective and efficient operation and conduct of the scheme.
Achievements	<ul style="list-style-type: none"> Provided advice to the EWOQ on various current and emerging issues in the energy and water sectors. Provided advice to the EWOQ about the scheme's scope and effectiveness, and policies and practices relating to the scheme's administration. Made recommendations to the Minister responsible for energy and water, and the Ombudsman, on the scheme's financial budget and business plan.
Financial reporting	Advisory Council member remuneration payments are accounted for in the Energy and Water Ombudsman 2020–21 Annual Report.
Remuneration <p>The Advisory Council must comprise an independent chairperson and at least six members appointed by the responsible Minister. Members are entitled to remuneration in accordance with the remuneration category of 'Regulation, Advice and Administration - Level 3', with the relevant amounts being: chairperson:</p> <ul style="list-style-type: none"> chairperson: daily fee of \$390 (\$195 if time is four hours or less) member: daily fee of \$300 (\$150 if time is four hours or less). <p>Any remuneration payable is covered by the funds collected from EWOQ scheme participants.</p>	

The Services Trades Council forms part of QBCC and as such will be reported in the QBCC Annual Report.

The Queensland Hydrogen Taskforce will be reported at www.epw.qld.gov.au later this year.

Appendix 3 – Glossary of Terms

ARRs	Annual report requirements for Queensland Government agencies
eDRMS	Electronic document and records management system
EEO	Equal Employment Opportunity
EPW	Department of Energy and Public Works
FAA	<i>Financial Accountability Act 2009</i>
FPMS	Financial and Performance Management Standard 2019
GPO	General Post Office
HR Act	<i>Human Rights Act 2019</i>
ICT	Information and Communication Technology
MOHRI	Minimum Obligatory Human Resource Information
MW	megawatts
NABERS	National Australian Built Environment Rating System
NQSTIS	North Queensland Strata Title Inspection Scheme
QAO	Queensland Audit Office
QBCC	Queensland Building and Construction Commission
QGAO	Queensland Government Accommodation Office
QGOV	Queensland Government
QREZ	Queensland Renewable Energy Zones
QUT	Queensland University of Technology
SDS	Service Delivery Statements
WHS	Workplace Health and Safety

Appendix 4 – Compliance checklist

Summary of requirement		Basis for requirement	Annual Report Reference Page no.
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 7	3
Accessibility	<ul style="list-style-type: none"> Table of contents 	ARRs – section 9.1	2
	<ul style="list-style-type: none"> Glossary 		28
	<ul style="list-style-type: none"> Public availability 	ARRs – section 9.2	1
	<ul style="list-style-type: none"> Interpreter service statement 	Queensland Government Language Services Policy ARRs – section 9.3	1
	<ul style="list-style-type: none"> Copyright notice 	Copyright Act 1968 ARRs – section 9.4	1
	<ul style="list-style-type: none"> Information licensing 	QGEA – Information Licensing ARRs – section 9.5	1
General information	<ul style="list-style-type: none"> Introductory information 	ARRs – section 10	4
Non-financial performance	<ul style="list-style-type: none"> Government's objectives for the community and whole-of-government plans/specific initiatives 	ARRs – section 11.1	6-7, 24
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.2	7-14
	<ul style="list-style-type: none"> Agency service areas and service standards 	ARRs – section 11.3	7, 15-17
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1	32
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1	5
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2	21-23
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 13.3	25-27
	<ul style="list-style-type: none"> Public Sector Ethics 	Public Sector Ethics Act 1994 ARRs – section 13.4	20
	<ul style="list-style-type: none"> Human Rights 	Human Rights Act 2019 ARRs – section 13.5	20
	<ul style="list-style-type: none"> Queensland public service values 	ARRs – section 13.6	4
Governance – risk management and accountability	<ul style="list-style-type: none"> Risk management 	ARRs – section 14.1	23
	<ul style="list-style-type: none"> Audit committee 	ARRs – section 14.2	22
	<ul style="list-style-type: none"> Internal audit 	ARRs – section 14.3	23
	<ul style="list-style-type: none"> External scrutiny 	ARRs – section 14.4	23-24
	<ul style="list-style-type: none"> Information systems and recordkeeping 	ARRs – section 14.5	23
	<ul style="list-style-type: none"> Information Security attestation 	ARRs – section 14.6	23

Summary of requirement		Basis for requirement	Annual Report Reference Page no.
Governance – human resources	• Strategic workforce planning and performance	<i>ARRs – section 15.1</i>	18-20
	• Early retirement, redundancy and retrenchment	<i>Directive No.04/18 Early Retirement, Redundancy and Retrenchment</i> <i>ARRs – section 15.2</i>	18
Open Data	• Statement advising publication of information	<i>ARRs – section 16</i>	1
	• Consultancies	<i>ARRs – section 33.1</i>	data.qld.gov.au
	• Queensland Language Services Policy	<i>ARRs – section 33.3</i>	data.qld.gov.au
Financial statements	• Certification of financial statements	<i>FAA – section 62</i> <i>FPMS – sections 38, 39 and 46</i> <i>ARRs – section 17.1</i>	80
	• Independent Auditor's Report	<i>FAA – section 62</i> <i>FPMS – section 46</i> <i>ARRs – section 17.2</i>	81

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs *Annual report requirements for Queensland Government agencies*

FINANCIAL STATEMENTS

2020–2021

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Financial Summary

As at 30 June 2021, the reporting entity comprised the Department of Energy and Public Works and two commercialised business units (CBUs) (QBuild and QFleet).

The Department of Energy and Public Works was established on 12 November 2020 as a result of the *Public Service Departmental Arrangements Notice* (No. 4 and 5) 2020.

Pursuant to section 80 of the *Financial Accountability Act 2009*, for financial reporting purposes the effective date of the transfers is 1 December 2020.

As a result of these machinery-of-government changes, the following functions were transferred to the department:

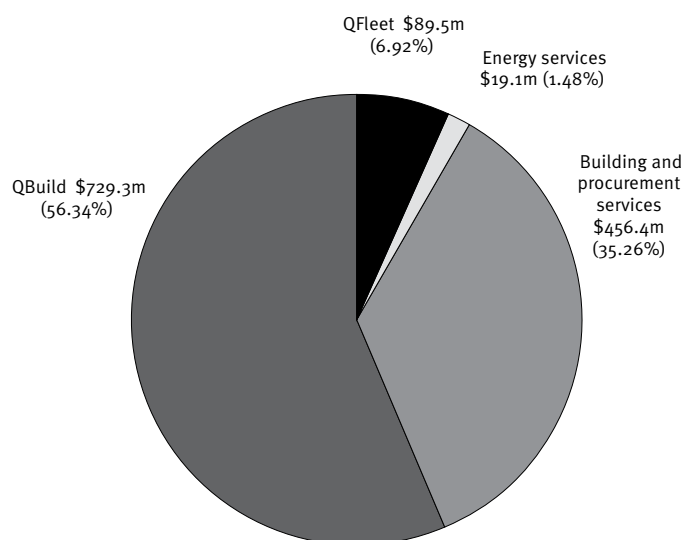
- Building Policy and Asset Management and Queensland Government Procurement (including QBuild and QFleet) transferred from the former Department of Housing and Public Works
- Energy transferred from the former Department of Natural Resources, Mines and Energy
- Hydrogen Energy Policy transferred from the Department of State Development, Infrastructure, Local Government and Planning.

A Statement of Comprehensive Income for the period 1 December 2020 to 30 June 2021 and a Balance Sheet as at 30 June 2021 are provided on the following pages.

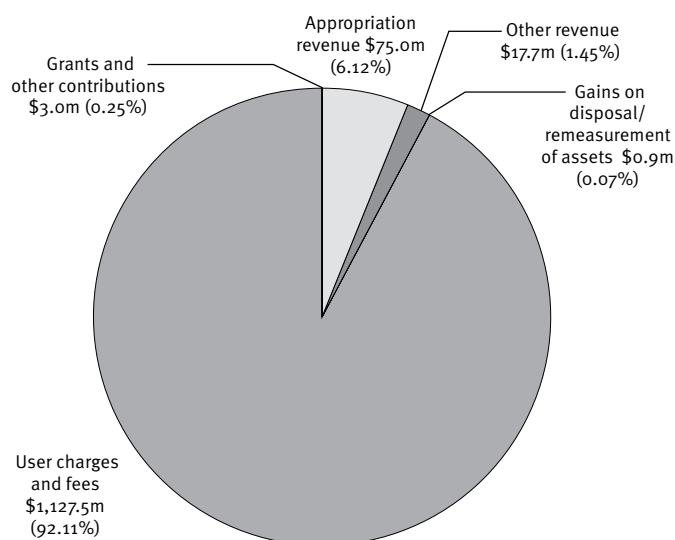
The department obtains the majority of its total income from user charges which comprise \$1,127 million or 92 percent of the department's total income of \$1,224 million. User charges include:

- building services
- commercial accommodation services and government employee housing to other Queensland state government entities
- fleet management services.

Total income by Major Departmental Services and Commercialised Business Units in 2020–21[#]



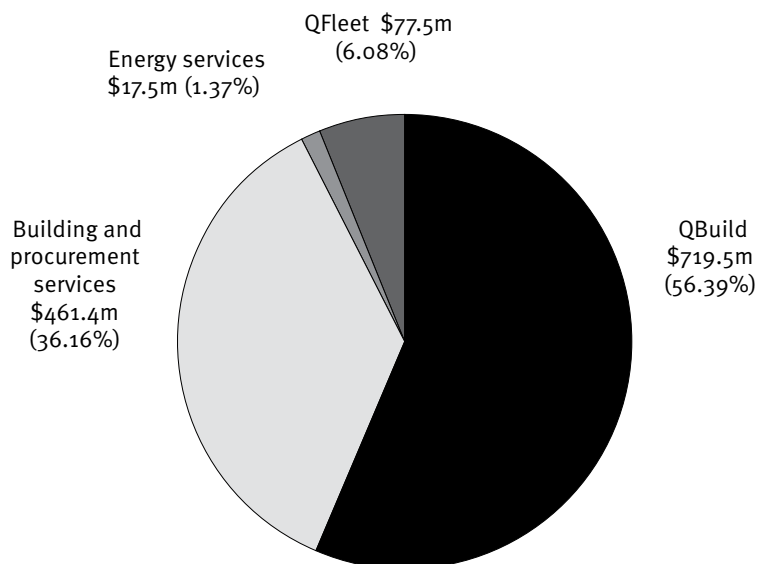
Total income by category in 2020–21



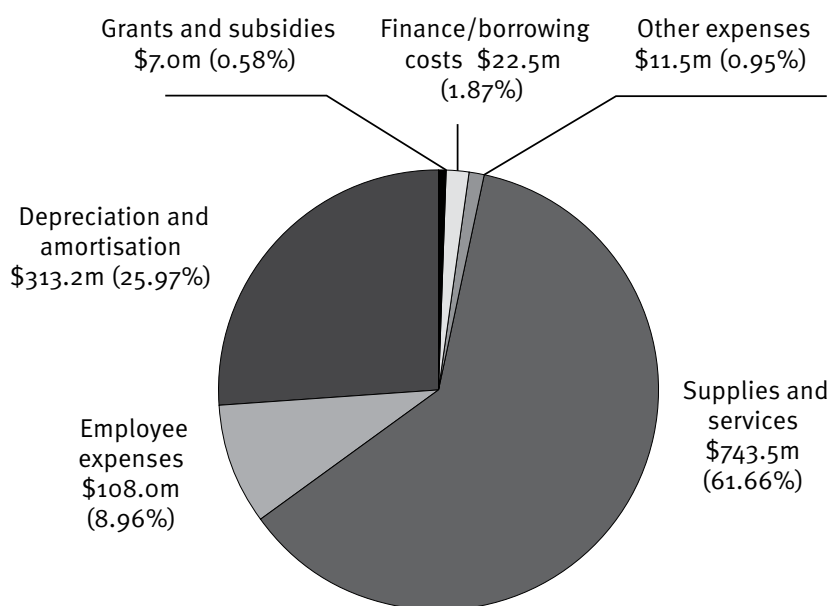
The major expense of the department is supplies and services which totals \$743.5 million or 62 percent of the department's expenses of \$1,205.7 million. The major supplies and services comprise building, construction and maintenance services and property related expenses.

Major assets of the department are property, plant and equipment (\$3,425 million) and right-of-use assets (\$1,896 million) of the department's total assets of \$5,908 million (90 percent). The majority of these assets comprise government owned employee housing, commercial properties and the land on which these are situated and leased commercial accommodation.

Total expenses by Major Departmental Services and Commercialised Business Units in 2020–21[#]



Total expenses by category in 2020–21



[#] Revenue and expenses by Major Departmental Services and Commercialised Business Units do not include internal departmental transaction eliminations which are eliminated in the Statement of Comprehensive Income and Balance Sheet.

Statement by the Chief Finance Officer

In accordance with the requirements of the *Financial Accountability Act 2009*, the Chief Finance Officer has provided the Director-General with a statement confirming the financial internal controls of the department are operating efficiently, effectively and economically in conformance with Section 54 of the *Financial and Performance Management Standard 2019*. The statement was presented at the Audit and Risk Committee meeting in August 2021.

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

Statement of Comprehensive Income

for the period 1 December 2020 to 30 June 2021

	ACTUAL 2020-21
	\$'000
INCOME	
User charges and fees	1,127,464
Appropriation revenue	74,954
Grants and other contributions	3,040
Other revenue	17,702
Gains on disposal /remeasurement of assets	875
Total income	1,224,035
EXPENSES	
Supplies and services	743,463
Depreciation and amortisation	313,176
Employee expenses	108,047
Finance/borrowing costs	22,501
Grants and subsidies	7,038
Other expenses	11,460
Total expenses	1,205,685
Operating result before income tax	18,350
Income tax benefit /(expense)	(7,119)
Operating result after income tax	11,231
OTHER COMPREHENSIVE INCOME	
Items that will not be reclassified to operating result	
Increase/(decrease) in asset revaluation surplus	72,953
Total other comprehensive income	72,953
Total comprehensive income	84,184

Note:

There are no comparative figures because the Department of Energy and Public Works was established in November 2020.

Balance Sheet

as at 30 June 2021

	ACTUAL 2020-21
	\$'000
CURRENT ASSETS	
Cash and cash equivalents	319,441
Receivables	122,895
Prepayments	13,923
Other current assets	59,983
Non-current assets classified as held for sale	2,369
Total current assets	518,611
NON-CURRENT ASSETS	
Property, plant and equipment	3,424,948
Right-of-use assets	1,895,692
Receivables	65,423
Other non-current assets	3,785
Total non-current assets	5,389,848
TOTAL ASSETS	5,908,459
CURRENT LIABILITIES	
Lease liabilities	378,255
Payables	180,850
Provisions	12,474
Accrued employee benefits	6,181
Unearned revenue	3,532
Other current liabilities	26,350
Total current liabilities	607,642
NON-CURRENT LIABILITIES	
Lease liabilities	1,747,309
Borrowings	196,512
Queen's Wharf deferred consideration	119,392
Provisions	46,548
Unearned revenue	25,129
Other non-current liabilities	17,448
Total non-current liabilities	2,152,338
TOTAL LIABILITIES	2,759,980
NET ASSETS	3,148,479
EQUITY	
Contributed equity	3,071,263
Asset revaluation surplus	72,953
Accumulated surplus/(deficit)	4,263
TOTAL EQUITY	3,148,479

Note:

There are no comparative figures because the Department of Energy and Public Works was established in November 2020.

INTRODUCTION TO FINANCIAL STATEMENTS

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

- Statement of Comprehensive Income - Controlled
- Balance Sheet - Controlled
- Statement of Changes in Equity - Controlled
- Statement of Cash Flows - Controlled
- Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units - Controlled
- Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units – Controlled
- Statement of Comprehensive Income – Administered
- Balance Sheet – Administered
- Statement of Comprehensive Income by Major Departmental Services - Administered
- Statement of Assets and Liabilities by Major Departmental Services – Administered
- Notes to the Financial Statements 2020–21
- Management Certificate
- Independent Auditor’s Report.

General information

These Financial Statements cover the Department of Energy and Public Works.

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

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

1 William St

BRISBANE QLD 4000

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

For information in relation to the department’s financial statements, please call 07 300 83138 or visit the departmental website www.epw.qld.gov.au.

Contents

Statement of Comprehensive Income - Controlled

Balance Sheet - Controlled

Statement of Changes in Equity - Controlled

Statement of Cash Flows - Controlled (including Notes to the Statement of Cash Flows)

Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Units - Controlled

Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units - Controlled

Statement of Comprehensive Income - Administered

Balance Sheet - Administered

Statement of Comprehensive Income by Major Departmental Services - Administered

Statement of Assets and Liabilities by Major Departmental Services - Administered

Notes to the Financial Statements 2020-21

Management Certificate

Independent Auditor's Report

Department of Energy and Public Works
Statement of Comprehensive Income - Controlled
for the period 1 December 2020 to 30 June 2021

	Note	2021 \$'000
Income		
User charges and fees	2.1	1,127,464
Appropriation revenue	2.2	74,954
Grants and other contributions		3,040
Other revenue		17,702
Total revenue		<u>1,223,160</u>
Gains on disposal/remeasurement of assets		875
Total income		<u>1,224,035</u>
Expenses		
Supplies and services	2.3	743,463
Depreciation and amortisation	3.1, 3.2	313,176
Employee expenses	2.4	108,047
Finance/borrowing costs		22,501
Grants and subsidies		7,038
Other expenses	2.5	11,460
Total expenses		<u>1,205,685</u>
Operating result before income tax		<u>18,350</u>
Income tax benefit/(expense)		(7,119)
Operating result after income tax		11,231
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to operating result		
Increase/(decrease) in asset revaluation surplus	3.1	72,953
Total other comprehensive income		<u>72,953</u>
Total comprehensive income		<u><u>84,184</u></u>

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Balance Sheet - Controlled
as at 30 June 2021

	Note	2021 \$'000
Current Assets		
Cash and cash equivalents		319,441
Receivables	3.3	122,895
Prepayments		13,923
Other current assets	3.5	59,983
		<u>516,242</u>
Non-current assets classified as held for sale	3.6	2,369
Total current assets		<u>518,611</u>
Non-current Assets		
Property, plant and equipment	3.1	3,424,948
Right-of-use assets	3.2	1,895,692
Receivables	3.3	65,423
Other non-current assets	3.5	3,785
Total non-current assets		<u>5,389,848</u>
Total Assets		<u>5,908,459</u>
Current Liabilities		
Lease liabilities	3.2	378,255
Payables	3.8	180,850
Provisions	3.10	12,474
Accrued employee benefits		6,181
Unearned revenue	3.11	3,532
Other current liabilities	3.12	26,350
Total current liabilities		<u>607,642</u>
Non-current Liabilities		
Lease liabilities	3.2	1,747,309
Borrowings	3.7	196,512
Queen's Wharf deferred consideration	3.9	119,392
Provisions	3.10	46,548
Unearned revenue	3.11	25,129
Other non-current liabilities	3.12	17,448
Total non-current liabilities		<u>2,152,338</u>
Total Liabilities		<u>2,759,980</u>
NET ASSETS		<u>3,148,479</u>
EQUITY		
Contributed equity		3,071,263
Asset revaluation surplus	3.1	72,953
Accumulated surplus/(deficit)		4,263
Total Equity		<u>3,148,479</u>

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Statement of Changes in Equity - Controlled
for the period 1 December 2020 to 30 June 2021

	Contributed equity \$'000	Asset revaluation surplus Note 3.1(d) \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Operating result	-	-	11,231	11,231
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	72,953	-	72,953
Total comprehensive income for the year	-	72,953	11,231	84,184
Transactions with owners as owners				
- Appropriated equity injections (Note 3.15)	383,726	-	-	383,726
- Appropriated equity withdrawals (Note 3.15)	(370,830)	-	-	(370,830)
- Transfers from machinery-of-government changes (Note 1.5)	3,058,367	-	-	3,058,367
- Dividends paid or declared	-	-	(6,968)	(6,968)
Net transactions with owners as owners	3,071,263	-	(6,968)	3,064,295
Balance as at 30 June 2021	3,071,263	72,953	4,263	3,148,479

The accompanying notes form part of these financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES

Inflows:

User charges and fees	1,117,716
Appropriation receipts	87,216
GST input tax credits received from the Australian Taxation Office	45,455
GST collected from customers	85,461
Grants and other contributions	2,874
Other	32,813

Outflows:

Supplies and services	(725,964)
Employee expenses	(111,922)
GST remitted to the Australian Taxation Office	(41,086)
GST paid to suppliers	(101,453)
Grants and subsidies	(8,569)
Finance/borrowing costs	(22,583)
Taxation equivalents	(3,492)
Other	(12,429)

Net cash provided by (used in) operating activities

344,037

CASH FLOWS FROM INVESTING ACTIVITIES

Inflows:

Sales of property, plant and equipment	29,673
----------------------------------------	--------

Outflows:

Payments for property, plant and equipment	(77,703)
--------------------------------------------	----------

Net cash provided by (used in) investing activities

(48,030)

CASH FLOWS FROM FINANCING ACTIVITIES

Inflows:

Equity injections	402,010
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Outflows:

Payment of lease liabilities	(228,252)
Equity withdrawals	(395,199)
Dividends paid	(9,330)

Net cash provided by (used in) financing activities

(230,771)

Net increase (decrease) in cash and cash equivalents

65,236

Increase in cash and cash equivalents from machinery-of-government changes (Note 1.5)

254,205

Cash and cash equivalents – closing balance

319,441

The accompanying notes form part of these financial statements.

Reconciliation of operating result to net cash from operating activities

Operating surplus/(deficit) before income tax	18,350
Less: income tax benefit/(expense)	(7,119)
	<u>11,231</u>
<i>Non-cash items:</i>	
Depreciation and amortisation expense	313,176
Motor vehicles sold	20,882
Impairment losses	127
Loss/(gain) on disposal of non-current assets	(875)
Write-on of assets	(2,029)
<i>Change in assets and liabilities:</i>	
(Increase) decrease in GST input tax credits receivable	(417)
(Increase) decrease in receivables	(31,387)
(Increase) decrease in prepayments	7,992
(Increase) decrease in other assets	32,767
Acquisition of motor vehicles held for rental	(55,229)
Increase (decrease) in GST payable	25
Increase (decrease) in payables	69,208
Increase (decrease) in provisions	(16,326)
Increase (decrease) in unearned revenue	(4,013)
Increase (decrease) in accrued employee benefits	(1,982)
Increase (decrease) in other liabilities	887
Net cash from operating activities	<u><u>344,037</u></u>

Changes in liabilities arising from financing activities

	Borrowings	Lease liabilities	Dividends payable	Total
	\$'000	\$'000	\$'000	\$'000
Cash flows:				
Cash paid	-	(228,252)	(9,330)	(237,582)
Non-cash changes:				
Transfers from machinery-of-government changes (Note 1.5)	196,512	2,309,190	6,668	2,512,370
Leases acquired/surrendered	-	43,902	-	43,902
Remeasurement of lease liability	-	724	-	724
Dividends declared	-	-	10,545	10,545
Balance as at 30 June 2021	<u>196,512</u>	<u>2,125,564</u>	<u>7,883</u>	<u>2,329,959</u>

For changes in liabilities relating to equity appropriations refer to Note 3.15 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 period 1 December 2020 to 30 June 2021

	Energy services \$'000	Building and procurement services \$'000	Commercialised Business Units		Inter-service/ unit eliminations \$'000	Total department \$'000
			QBuild \$'000	QFleet \$'000		
Income						
User charges and fees	-	384,868	723,328	89,267	(69,999)	1,127,464
Appropriation revenue	15,151	59,803	-	-	-	74,954
Grants and other contributions	(422)	2,730	732	-	-	3,040
Other revenue	4,390	8,144	5,188	244	(264)	17,702
Total revenue	19,119	455,545	729,248	89,511	(70,263)	1,223,160
Gains on disposal/remeasurement of assets	-	871	4	-	-	875
Total income	19,119	456,416	729,252	89,511	(70,263)	1,224,035
Expenses						
Supplies and services	2,879	130,921	638,183	41,743	(70,263)	743,463
Depreciation and amortisation	5	286,363	751	26,057	-	313,176
Employee expenses	8,188	19,331	77,102	3,426	-	108,047
Finance/borrowing costs	-	20,062	-	2,439	-	22,501
Grants and subsidies	6,321	54	663	-	-	7,038
Other expenses	68	4,692	2,837	3,863	-	11,460
Total expenses	17,461	461,423	719,536	77,528	(70,263)	1,205,685
Operating result before income tax	1,658	(5,007)	9,716	11,983	-	18,350
Income tax benefit/(expense)	-	-	(3,500)	(3,619)	-	(7,119)
Operating result after income tax	1,658	(5,007)	6,216	8,364	-	11,231
OTHER COMPREHENSIVE INCOME						
Items that will not be reclassified to operating result						
Increase/(decrease) in asset revaluation surplus	-	72,953	-	-	-	72,953
Total other comprehensive income	-	72,953	-	-	-	72,953
Total comprehensive income	1,658	67,946	6,216	8,364	-	84,184

Department of Energy and Public Works

Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Units - Controlled

as at 30 June 2021

	Energy services \$'000	Building and procurement services \$'000	Commercialised Business Units		Inter- service/unit eliminations \$'000	Total department \$'000
			QBuild \$'000	QFleet \$'000		
Current Assets						
Cash and cash equivalents	9,251	182,820	94,763	32,607	-	319,441
Receivables	490	25,619	98,489	10,052	(11,755)	122,895
Prepayments	-	5,753	1,224	6,946	-	13,923
Other current assets	-	182	55,342	4,459	-	59,983
	9,741	214,374	249,818	54,064	(11,755)	516,242
Non-current assets classified as held for sale	-	2,369	-	-	-	2,369
Total current assets	9,741	216,743	249,818	54,064	(11,755)	518,611
Non-current Assets						
Property, plant and equipment	238	3,155,238	928	268,544	-	3,424,948
Right-of-use assets	-	1,895,692	-	-	-	1,895,692
Receivables	-	65,423	-	-	-	65,423
Other non-current assets	-	1,022	2,757	6	-	3,785
Total non-current assets	238	5,117,375	3,685	268,550	-	5,389,848
TOTAL ASSETS	9,979	5,334,118	253,503	322,614	(11,755)	5,908,459
Current Liabilities						
Lease liabilities	-	378,255	-	-	-	378,255
Payables	6,312	59,687	114,844	11,762	(11,755)	180,850
Provisions	-	12,474	-	-	-	12,474
Accrued employee benefits	747	1,009	4,088	337	-	6,181
Unearned revenue	-	1,390	2,142	-	-	3,532
Other current liabilities	-	16,960	201	9,189	-	26,350
Total current liabilities	7,059	469,775	121,275	21,288	(11,755)	607,642
Non-current Liabilities						
Lease liabilities	-	1,747,309	-	-	-	1,747,309
Borrowings	-	-	-	196,512	-	196,512
Queen's Wharf deferred consideration	-	119,392	-	-	-	119,392
Provisions	-	46,548	-	-	-	46,548
Unearned revenue	-	25,129	-	-	-	25,129
Other non-current liabilities	-	1,149	673	15,626	-	17,448
Total non-current liabilities	-	1,939,527	673	212,138	-	2,152,338
TOTAL LIABILITIES	7,059	2,409,302	121,948	233,426	(11,755)	2,759,980

Department of Energy and Public Works
Statement of Comprehensive Income - Administered
for the period 1 December 2020 to 30 June 2021

	Note	2021 \$'000
Revenue		
Appropriation revenue	5.5 (a)	272,263
User charges and fees		383
Total revenue		<u>272,646</u>
Expenses		
Grants and subsidies	5.5 (b)	268,812
Supplies and services		3,451
Transfers of administered revenue to government		383
Other expenses	5.5 (c)	22,377
Total expenses		<u>295,023</u>
OPERATING RESULT		<u><u>(22,377)</u></u>

The accompanying notes form part of these financial statements.

Department of Energy and Public Works
Balance Sheet - Administered
as at 30 June 2021

	Note	2021 \$'000
Current assets		
Cash		32,083
Receivables		8,164
Total assets		<u>40,247</u>
Current liabilities		
Payables	5.5 (d)	40,167
Non-current liabilities		
Derivatives	5.5 (e)	220,099
Total liabilities		<u>260,266</u>
NET ASSETS		<u>(220,019)</u>
EQUITY		
Contributed equity		(197,642)
Accumulated surplus/(deficit)		(22,377)
Total Equity		<u>(220,019)</u>

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 period 1 December 2020 to 30 June 2021

	Energy Services \$'000	Building and Procurement Services \$'000	Total \$'000
Revenue			
Appropriation revenue	268,416	3,847	272,263
User charges and fees	362	21	383
Total revenue	<u>268,778</u>	<u>3,868</u>	<u>272,646</u>
Expenses			
Grants and subsidies	268,416	396	268,812
Supplies and services	-	3,451	3,451
Transfers of administered revenue to government	362	21	383
Other expenses	22,377	-	22,377
Total expenses	<u>291,155</u>	<u>3,868</u>	<u>295,023</u>
OPERATING RESULT	<u>(22,377)</u>	<u>-</u>	<u>(22,377)</u>

Department of Energy and Public Works
Statement of Assets and Liabilities by Major Departmental Services - Administered
as at 30 June 2021

	Energy Services \$'000	Building and Procurement Services \$'000	Total \$'000
Current assets			
Cash	32,083	-	32,083
Receivables	8,164	-	8,164
TOTAL ASSETS	<u>40,247</u>	<u>-</u>	<u>40,247</u>
Current liabilities			
Payables	40,167	-	40,167
Non-current liabilities			
Derivatives	220,099	-	220,099
TOTAL LIABILITIES	<u>260,266</u>	<u>-</u>	<u>260,266</u>

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1 BASIS OF PREPARATION

1.1 Authorisation of financial statements

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

1.2 General information

The Department of Energy and Public Works was established on 12 November 2020 as a result of the machinery-of-government changes outlined in Note 1.5. The department is a not-for-profit Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland which is the ultimate parent.

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

1.3 Statement of compliance

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 2020.

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

1.4 Department objectives and principal activities

The Department of Energy and Public Works is working towards its objectives to:

- manage Queensland's energy resources to optimise customer outcomes
- position Queensland to capitalise on emerging opportunities for domestic hydrogen use and long-term export
- deliver safe, secure, affordable and sustainable energy resources
- advance government's economic, social and environmental objectives, benefit local economies and support local jobs through procurement of government goods, services and capital infrastructure
- support the building and construction industry and government through design excellence, building legislation and policy, major government projects and asset management services that boost Queensland's growing communities.

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

Energy services

Energy Services ensures Queensland's energy sector is efficient, equitable and sustainable.

Building and procurement services

Building and Procurement Services provides effective and efficient services and support to industry and government to benefit Queensland communities including procurement, design excellence, building legislation and policy, major government projects and government accommodation.

QBuild

QBuild partners with and supports Queensland Government agencies to effectively and efficiently deliver their core services to Queenslanders, by strategically managing and delivering their building, construction and maintenance activities and programs state-wide.

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, and will continue transitioning the government's motor-vehicle fleet to lower-emission vehicles, as outlined in the QFleet Electric Vehicle Transition Strategy.

1.5 Machinery-of-government changes

The Department of Energy and Public Works was established on 12 November 2020 as a result of the *Public Service Departmental Arrangements Notice (No. 4 and 5) 2020*.

Pursuant to section 80 of the *Financial Accountability Act 2009*, for financial reporting purposes the effective date of the transfers is 1 December 2020. Transactions from the 12 November 2020 to 30 November 2020 are reported in the financial statements of the transferring departments.

As a result of these machinery-of-government changes, the following functions were transferred to the department:

- Building Policy and Asset Management and Queensland Government Procurement (including QBuild and QFleet) transferred from the former Department of Housing and Public Works
- Energy transferred from the former Department of Natural Resources, Mines and Energy
- Hydrogen Energy Policy transferred from the Department of State Development, Infrastructure, Local Government and Planning.

Assets and liabilities transferred

	Department of Housing and Public Works \$'000	Department of Natural Resources, Mines and Energy \$'000	Total \$'000
Controlled			
Cash and cash equivalents	251,395	2,810	254,205
Receivables	149,448	350	149,798
Prepayments	21,155	670	21,825
Property, plant and equipment	3,298,577	242	3,298,819
Right-of-use assets	2,097,313	-	2,097,313
Non-current assets classified as held for sale	24,714	-	24,714
Other assets	96,362	-	96,362
Total assets	5,938,964	4,072	5,943,036
Lease liabilities	2,309,190	-	2,309,190
Payables	110,895	2,238	113,133
Unearned revenue	32,479	-	32,479
Accrued employee benefits	7,589	573	8,162
Provisions	79,362	-	79,362
Borrowings	196,512	-	196,512
Queen's Wharf deferred consideration	102,725	-	102,725
Other liabilities	43,106	-	43,106
Total liabilities	2,881,858	2,811	2,884,669
Net assets	3,057,106	1,261	3,058,367
Administered			
Cash and cash equivalents	14	35,343	35,357
Receivables	-	82	82
Total assets	14	35,425	35,439
Payables	14	35,346	35,360
Derivatives	-	197,722	197,722
Total liabilities	14	233,068	233,082
Net assets	-	(197,643)	(197,643)

The transfer in of net assets has been accounted for as a transfer of contributed equity as disclosed in the Statement of Changes in Equity.

1.5 Machinery-of-government changes (continued)

The following budgeted appropriations were reallocated to the Department of Energy and Public Works as part of the machinery-of-government changes:

	Department of Housing and Public Works \$'000	Department of Natural Resources, Mines and Energy \$'000	Total \$'000
Controlled - appropriation	78,834	17,727	96,561
Controlled - equity adjustments	44,091	-	44,091
Administered - appropriation	3,847	260,670	264,517

There were no asset, liability or appropriation transfers from the Department of State Development, Infrastructure, Local Government and Planning.

1.6 Measurement

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

1.7 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.

The department was established on 12 November 2020 and has no comparative reporting for the 2019-20 financial year.

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.

1.8 New and revised accounting standards

AASB 1059 Service Concession Arrangements: Grantors

This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. The department does not currently have any arrangements that would fall within the scope of AASB 1059.

2 STATEMENT OF COMPREHENSIVE INCOME NOTES

2.1 User charges and fees

Revenue from contracts with customers	
Building services	699,587
Commercial accommodation service*	279,976
Government employee housing accommodation service*	27,458
Fleet management services*	54,549
Vehicle sales	32,279
Other	33,615
Total	1,127,464

** 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.

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	<p>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.</p> <p>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.</p>	<p>Revenue from providing building services is recognised in the accounting period in which the services are provided.</p> <p>Revenue is recognised over time as the building services are provided using either:</p> <ul style="list-style-type: none"> • 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)	<p>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.</p> <p>Customers are either invoiced progressively or on completion depending on the complexity of the work and consideration is payable when invoiced.</p>	<p>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.</p> <p>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.</p>
Commercial Accommodation Service	<p>The department provides access to commercial accommodation primarily to other Queensland state government entities.</p> <p>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.</p>	Revenue is recognised on a monthly basis as the actual services are provided over the duration of the contract.
Government Employee Housing Accommodation Service	<p>The department provides access to government employee housing primarily to other Queensland state government entities.</p> <p>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.</p>	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	<p>The department provides fleet management services primarily to other Queensland state government entities.</p> <p>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.</p>	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 3.12 for disclosures about contract assets and liabilities outstanding at year end.

2.2 Appropriation revenue

2021
\$'000

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

Original budgeted appropriation revenue	86,108
Supplementary amounts:	
Transfers from/to other headings - variation in headings	1,108
Total appropriation receipts (cash)	87,216
Plus: Transfer of deferred appropriation payable from other Queensland Government entities	11,581
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(23,843)
Appropriation revenue recognised in Statement of Comprehensive Income	74,954
Variance between original budgeted and actual appropriation revenue	(11,154)

Appropriations provided under the *Appropriation (2020-2021) Act 2021* are recognised as revenue when received under AASB 1058 *Income of Not-for-profit Entities*. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation payable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Capital appropriations are recognised as adjustments to equity (refer to Note 3.15).

2.3 Supplies and services

Cost of sales	
Building, construction and maintenance services	553,656
Motor vehicles and land sold through inventory	21,161
Property repairs and maintenance	28,845
Other property expenses	35,582
Consultants and contractors	16,417
Property rental*	7,787
Motor vehicle costs	12,834
Information, communication and technology expenses	20,740
Electricity and gas	10,133
Rates to local governments	4,134
Other	32,174
Total	743,463

* In accordance with AASB 16 the majority of the department's leases are recognised on the Balance Sheet (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 Employee expenses

Employee benefits

Wages and salaries	82,039
Annual leave levy	7,818
Employer superannuation contributions	10,620
Long service leave levy	2,077
Other employee benefits	18
	102,572

Employee-related expenses	5,475
Total	108,047

Wages and salaries

Wages and salaries due (but unpaid at reporting date) are recognised in the Balance Sheet at current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Annual leave and long service leave

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

Superannuation

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

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant 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.

2.4 Employee expenses (continued)

Employee-related expenses

Payroll tax and workers' compensation insurance are a consequence of employing staff, but are not counted in an employee's total remuneration package. They are not employee benefits, and are recognised separately as employee-related expenses.

Number of employees

The number of employees (measured on a full-time equivalent basis) as at 30 June 2021 (based upon the fortnight ending 2 July 2021) is 1,594.

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

2.5 Other expenses

Impairment losses on non-current assets classified as held for sale	2,400
Insurance premiums - Queensland Government Insurance Fund	1,360
Insurance premiums - other	3,932
Queensland Audit Office - external audit fees*	368
Special payments (ex-gratia) [†]	1,950
Other	1,450
Total	11,460

* Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$0.440 million (GST exclusive).

[†] Special payments include expenditure that the department is not contractually or legally obligated to make to other parties. Special payments over \$5,000 relate to three ex-gratia payments made in relation to a single workplace incident.

3 BALANCE SHEET NOTES

3.1 Property, plant and equipment

Land: at fair value	1,145,635
Buildings: at fair value	1,406,101
Plant and equipment: at cost	
Gross	628,870
Less accumulated depreciation	(199,176)
	429,694
Infrastructure: at fair value	
Gross	341,246
Less accumulated depreciation	(101,365)
	239,881
Heritage and cultural assets: at fair value	
Gross	187,556
Less accumulated depreciation	(133,787)
	53,769
Work in progress: at cost	149,868
Total	3,424,948

3.1 Property, plant and equipment (continued)

<i>Property, plant and equipment reconciliation</i>	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Infrastructure \$'000	Heritage and cultural assets \$'000	Work in progress \$'000	Total \$'000
Transfers from machinery-of-government changes (Note 1.5)	1,132,412	1,356,217	419,184	237,493	50,056	103,457	3,298,819
Acquisitions	715	2,197	55,594	-	-	85,681	144,187
Transfers between classes	-	24,930	14,201	-	507	(39,638)	-
Transfers to inventories	-	-	(21,700)	-	-	-	(21,700)
Disposals	(471)	(580)	(2)	-	-	368	(685)
Assets reclassified as held for sale	(464)	(1,001)	-	-	-	-	(1,465)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	13,443	50,708	-	5,285	3,517	-	72,953
Depreciation	-	(26,370)	(37,583)	(2,897)	(311)	-	(67,161)
Carrying amount at 30 June 2021	1,145,635	1,406,101	429,694	239,881	53,769	149,868	3,424,948

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 2021.

(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. Properties that aren't specifically appraised in any given year are indexed.

(ii) Commercial properties – land and buildings

As at 30 June 2021, 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 aren't 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 2020-21 four properties were specifically appraised and the balance were indexed.

(d) Asset revaluation surplus by class

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Heritage and cultural assets \$'000	Total \$'000
Net revaluation increments/(decrements)	13,443	50,708	5,285	3,517	72,953
Balance at 30 June 2021	13,443	50,708	5,285	3,517	72,953

(e) Fair value measurement

Categorisation of fair values recognised as at 30 June 2021

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land			
- government employee housing	137,913	-	137,913
- commercial	509,155	498,567	1,007,722
Total land	647,068	498,567	1,145,635
Buildings			
- government employee housing	446,273	71,949	518,222
- commercial	633,093	254,786	887,879
Total buildings	1,079,366	326,735	1,406,101
Infrastructure	-	239,881	239,881
Heritage and cultural assets	7,500	46,269	53,769
Total	1,733,934	1,111,452	2,845,386

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.

Key estimate: For each class of asset the following depreciation rates are used:

Buildings	1% to 14%
Plant and equipment	3% to 50%
Infrastructure	1% to 33% in accordance with useful life of components
Heritage and cultural assets	1% to 3%

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 as a result of the machinery-of-government changes outlined in Note 1.5. 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 2021 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. During 2019-20 the Waterline Park (Goodwill Bridge Extension) was completed and is therefore recognised as property, plant and equipment at fair value. The carrying value of the land and buildings within the Precinct is \$525.000 million.

3.2 Leases as lessee

(a) Right-of-use assets - buildings

Transfers from machinery-of-government changes	2,097,313
Additions	66,133
Depreciation charge	(245,381)
Disposals / derecognition	(22,373)
Closing balance at 30 June 2021	<u>1,895,692</u>

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

Current	378,255
Non-current	1,747,309

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 3.13.

3.2 Leases as lessee (continued)

(c) Lease interest

Interest expense on lease liabilities	20,062
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(d) Amounts recognised in Statement of Cash Flows

Total cash outflow for leases	248,314
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(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 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 12% of its extension options for the period ending 30 June 2021.

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

Current

Contracts with customers - Trade debtors	108,406
GST input tax credits receivable	2,431
GST payable	(1,260)
Net GST receivable	1,171
Annual leave reimbursements*	3,330
Long service leave reimbursements*	882
Equity adjustment receivable	6,178
Finance lease receivables	2,928
Total	122,895

Non-current

Finance lease receivables	65,423
Total	65,423

* Refer to Note 2.4 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.

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 Other assets

Current

Contract assets	54,892
Inventories	4,734
Tax assets	357
Total	59,983

Non-current

Intangible assets	1,107
Deferred tax assets	1,656
Other	1,022
Total	3,785

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 Non-current assets classified as held for sale

Land	2,162
Buildings	207
Total	2,369

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.

3.7 Borrowings

Non-current

Queensland Treasury Corporation (QTC) borrowings	196,512
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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.

Fair value of QTC borrowings	198,405
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3.8 Payables

Current

Trade creditors	148,952
Deferred appropriation payable to Consolidated Fund	23,843
Dividends	7,883
Grants and subsidies payable	172
Total	180,850

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.

3.9 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.

3.10 Provisions

Current	12,474
Non-current	46,548

Cladding remediation

The department recognises a provision for rectification costs for three department owned sites requiring further fire engineering assessment and/or some form of 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. Further fire engineering and remediation works will continue over a number of years.

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.

3.10 Provisions (continued)

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.

Movements	Cladding remediation \$'000	Make good \$'000	Transfer duty \$'000	Total \$'000
Transfers from machinery-of-government changes (Note 1.5)	21,830	21,866	35,666	79,362
Additional provision made	1,162	274	-	1,436
Provision utilised through payments	(822)	-	-	(822)
Unused provisions reversed	-	(4,288)	(16,666)	(20,954)
Balance at 30 June 2021	22,170	17,852	19,000	59,022

3.11 Unearned revenue

Current

Finance lease revenue	1,390
Other	2,142
Total	3,532

Non-current

Finance lease revenue	25,129
Total	25,129

3.12 Other liabilities

Current

Contract liabilities	21,258
Current tax liability	2,263
Other	2,829
Total	26,350

Non-current

Contract liabilities	1,024
Deferred tax liability	16,299
Other	125
Total	17,448

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 3.11.

3.13 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 department has overdraft facilities of \$70.000 million with the Commonwealth Bank and working capital facilities of \$55.000 million with Queensland Treasury Corporation. A total of \$101.434 million of these facilities were undrawn as at 30 June and are available for future use.

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.

2021	Amortised Cost \$'000	Undiscounted cash flows			
		Contractual maturity payable in			Total \$'000
		<1 year \$'000	1-5 years \$'000	>5 years \$'000	
Financial liabilities					
Lease liabilities	2,125,564	408,799	1,192,543	696,839	2,298,181
Queensland Treasury Corporation borrowings	196,512	3,480	13,874	196,512	213,866
Payables	180,850	180,850	-	-	180,850
Total	2,502,926	593,129	1,206,417	893,351	2,692,897

3.14 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 3.15)
- non-appropriated equity adjustments
- non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes (refer to Note 1.5).

3.15 Appropriations recognised in equity

	2021 \$'000
<i>Reconciliation of payments from consolidated fund to equity adjustment</i>	
Original budgeted equity adjustment appropriation	44,284
Supplementary amounts	
Transfers from/to other headings	(4,587)
Lapsed equity adjustment	(32,886)
Equity adjustment receipts (payments)	6,811
Less: Transfer of equity adjustment receivable from other Queensland Government entities	(16,054)
Plus: Transfer of equity adjustment payable from other Queensland Government entities	15,961
Plus: Closing balance of equity adjustment receivable	6,178
Equity adjustment recognised in contributed equity	12,896
Variance between original budgeted and actual equity adjustment appropriation	(31,388)

4 BUDGET TO ACTUAL COMPARISON

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

The department was not required to include a budgeted Balance Sheet or Statement of Cash Flows in the 2020-21 Service Delivery Statement. Consequently, no budgeted Balance Sheet or Statement of Cash Flows was presented to Parliament for the 2020-21 financial year.

	Variance notes	Original budget \$'000	Actual \$'000	Variance \$'000
STATEMENT OF COMPREHENSIVE INCOME for the period 1 December 2020 to 30 June 2021				
INCOME				
User charges and fees		1,110,940	1,127,464	16,524
Appropriation revenue	1	95,222	74,954	(20,268)
Grants and other contributions		907	3,040	2,133
Other revenue		13,822	17,702	3,880
Total revenue		1,220,891	1,223,160	2,269
Gains on disposal/remeasurement of assets		194	875	681
Total income		1,221,085	1,224,035	2,950
EXPENSES				
Supplies and services		752,562	743,463	(9,099)
Depreciation and amortisation		329,239	313,176	(16,063)
Employee expenses		116,913	108,047	(8,866)
Finance/borrowing costs		23,163	22,501	(662)
Grants and subsidies		8,782	7,038	(1,744)
Other expenses		10,249	11,460	1,211
Total expenses		1,240,908	1,205,685	(35,223)
Operating result before income tax		(19,823)	18,350	38,173
Income tax benefit/(expense)		(2,168)	(7,119)	(4,951)
Operating result after income tax		(21,991)	11,231	33,222
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to operating result				
Increase/(decrease) in asset revaluation surplus	2	-	72,953	72,953
Total other comprehensive income		-	72,953	72,953
Total comprehensive income		(21,991)	84,184	106,175

4 BUDGET TO ACTUAL COMPARISON

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 is material (greater than 10%) compared to total income and total expenses.
- The variance between the actual amount and the budget is greater than 10% except for employee expenses and supplies and services where 5% is used.

Statement of Comprehensive Income

1 *Appropriation revenue*

The variance of (\$20.268 million) is mainly due to net adjustments to reflect the actual year end position for the government accommodation portfolio (\$8.360 million) relating to depreciation, timing of maintenance and adjustments for AASB16 *Leases*; deferrals for committed maintenance projects for government owned buildings (\$6.989 million) to reflect the timing of delivery; and approved transfers of funding to 2021-22 (\$2.438 million) to support new energy initiatives.

2 *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 \$72.953 million represents a net decrease in the value of residential buildings (\$16.445 million) and a net increase in non-residential buildings \$67.154 million with the remaining \$22.244 million variance as a result of overall increases from the valuation or indexation of land, infrastructure and heritage asset classes during the period.

The residential portfolio is specifically appraised once every five years with appraisals performed in 2020-21. The decrease reflects valuation movements in recently constructed properties in rural and remote communities offset by an overall net increase in building values in the remainder of the portfolio. The increase in non-residential buildings is mainly due to positive growth across the state in regions where buildings are owned.

5 OTHER INFORMATION

5.1 Key management personnel disclosures

(a) Details of key management personnel (KMP)

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

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.
Deputy Director-General, Building	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	The primary purpose of this position is to lead the overall operations of 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	The role of this position is to provide high-level 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	Responsible for providing strategic leadership to deliver the department's corporate support services.

(b) Remuneration policies

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

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

5.1 Key management personnel disclosures (continued)

(b) Remuneration policies (continued)

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.

(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 December 2020 – 30 June 2021

Position	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Total expenses
	Monetary expenses	Non-monetary benefits			
	\$'000	\$'000	\$'000	\$'000	\$'000
Director-General from 01/01/2021	206	6	5	12	229
Deputy Director-General, Building	176	6	4	18	204
Deputy Director-General, Energy	69	3	2	7	81
Deputy Director-General, Energy (Acting from 15/03/2021 - 26/04/2021)	28	1	1	3	33
Deputy Director-General, Energy (Acting from 27/04/2021)	42	2	1	4	49
Assistant Director-General, QBuild	137	6	3	15	161
Assistant Director-General, Building Policy	135	6	3	14	158
Deputy Director-General, Procurement	135	6	3	14	158
Deputy Director-General, Corporate	147	6	3	14	170

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 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:

- Prepayment of motor vehicle registrations (refer to the Balance Sheet)
- Sale of land to the Cross River Rail Delivery Authority (refer to the Statement of Cash Flows)
- Assets and liabilities received from machinery-of-government changes (refer to Note 1.5)
- Appropriation and equity funding from government (refer to Notes 2.2, 3.15 and 5.5(a))
- Electricity charges paid to a Queensland Government owned corporation (refer to Note 2.3)
- Property security charges (Other property expenses) paid to the Queensland Police Service (refer to Note 2.3)
- Corporate charges paid to the Department of Communities, Housing and Digital Economy for information, communication and technology, and other services (refer to Note 2.3)
- Annual and long service leave related transactions (refer to Notes 2.4 and 3.3)
- Income tax related expenses, assets and liabilities (refer to the Statement of Comprehensive Income and Notes 3.5 and 3.12)
- Queensland Treasury Corporation borrowings (refer to Note 3.7)
- Dividends payable (refer to note 3.8)
- Provisions for transfer duty (refer to Note 3.10)
- Administered community service obligation payments (refer to Note 5.5(b))

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
Property, plant and equipment	195,873	8,745	204,618

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 Communities, Housing and Digital Economy. 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 Communities, Housing and Digital Economy. 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 Communities, Housing and Digital Economy.

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 Balance Sheet approach under which temporary differences are identified for each asset and liability. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised 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

Budgeted appropriation revenue	264,517
Transfers from/(to) other headings	3,479
Total administered appropriation receipts (cash)	267,996
Plus: Closing balance of administered appropriation revenue receivable	4,267
Administered appropriation revenue recognised in Administered Statement of Comprehensive Income	272,263

(b) Grants and subsidies

Community service obligations and grants for energy	268,416
Other	396
Total	268,812

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.

5.5 Administered activities (continued)

(c) Other expenses

Movement in fair value of financial instruments (gains)/losses*	22,377
-----------------------------------------------------------------	--------

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

(d) Payables

Community service obligations and grants payable	39,805
Transfer of administered item revenue to government payable	362
Total	<u><u>40,167</u></u>

(e) Derivatives

Commodity and electricity derivative instruments at fair value	220,099
----------------------------------------------------------------	---------

From 1 December 2020 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 hedged.

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 3 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 30 June 2023, 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	
	Effect on operating result \$'000	Effect on equity \$'000	Effect on operating result \$'000	Effect on equity \$'000
2021				
Commodity and electricity price risk	11,009	-	(11,277)	-

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 balance sheet.

2021	Undiscounted cash flows		
	Contractual maturity payable in		
	1-5 years	>5 years	Total
	\$'000	\$'000	\$'000
Derivatives	55,956	196,880	252,836

(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.

	2021
	\$'000
Commonwealth Bank	10,000

(g) Budget to actual comparison

	Variance notes	Original Budget \$'000	Actual \$'000	Variance \$'000
Statement of Comprehensive Income for the period 1 December 2020 to 30 June 2021				
Revenue				
Appropriation revenue		264,517	272,263	7,746
User charges and fees		332	383	51
Total revenue		264,849	272,646	7,797
Expenses				
Grants and subsidies		261,066	268,812	7,746
Supplies and services		3,451	3,451	-
Transfer of administered revenue to government		332	383	51
Other expenses	1	-	22,377	22,377
Total expenses		264,849	295,023	30,174
Operating result		-	(22,377)	(22,377)

Explanations of major variances

- 1 The variance of \$22.377 million relates to the revaluation of the state's entitlement and obligations in relation to commodity and electricity price hedge instruments related to renewable solar energy investment projects.

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.

Agency revenues

Receipts for goods and services	295,208
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Agency expenses

Payments for supplies and services	295,208
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Agency current assets

Receivables	87,552
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Agency current liabilities

Bank overdraft	67,713
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Payables	18,316
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Other	1,523
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Total liabilities	87,552
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(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.

Agency revenues

Receipts for goods and services	29,777
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Agency expenses

Payments for supplies and services	24,617
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Agency current assets

Receivables	11,652
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Agency current liabilities

Payables	11,652
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5.7 Project bank accounts

The department enters into a number of building and construction project contracts during its ordinary course of business. For each of these contracts a competitive tendering process is undertaken to appoint head contractors, who in turn, may engage subcontractors to complete part of the works.

Under the *Building Industry Fairness (Security of Payment) Act 2017* ("the Act"), the head contractor would establish a project bank account with the head contractor as trustee and both the head contractor and the 'first tier' subcontractors as beneficiaries. Each project bank account is a set of three trust accounts intended to facilitate all payment transactions for the head contractor and first tier subcontractors. The general trust account would receive the progress payments from the principal as required under the head contract and distribute payments to the head contractor and subcontractors and transfers of retentions and disputed amounts. The retention trust account would hold subcontractors' cash retentions until ready to be paid out while the disputed funds trust account would hold disputed amounts pending resolution of any disputes between the head contractor and subcontractors.

The department had no involvement in the management of the trust accounts except in limited circumstances where the head contractor was terminated or entered insolvency and then the department could step into the role of trustee.

On 1 March 2021, the Act was amended to introduce a new trust account framework. Under the new framework, step in powers have been removed and the department cannot step in as trustee. However, for contracts subject to the Project Bank Account framework, the department is still able to utilise the step in powers so long as it was appointed as trustee prior to 1 March 2021. During 2020-21 there have been no situations where the department has had to step into the role of trustee.

5.8 Climate risk disclosure

The department addresses the financial impacts of climate related risks by identifying and monitoring the accounting judgements and estimates that will potentially be affected, including asset useful lives, fair value of assets, provisions or contingent liabilities and changes to future expenses and revenue. The department has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

5.9 COVID-19 pandemic impacts

There has been a focus on continuity of service delivery throughout the department's response to COVID-19. The department has reviewed assumptions and areas of judgement made, in the process of applying accounting policies and has determined COVID-19 has had no material impact to the financial statements, including those related to market and income based asset valuations (refer to Note 3.1(c)).

Any major variances due to COVID-19 between the department's actual 2020-21 financial results and the original budget presented to Parliament are disclosed in Note 4.

5.10 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 period 1 December 2020 to 30 June 2021, and of the financial position of the department at the end of that period; and

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.



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



James Purtil
Director-General
Department of Energy and Public Works

30 August 2021

30 August 2021

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Department of Energy and Public Works

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of 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 2021, and its financial performance and cash flows for the period 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 balance sheets and statements of assets and liabilities by major departmental services as at 30 June 2021, the controlled and administered statements of comprehensive income, statements of comprehensive income by major departmental services, and controlled statement of changes in equity, statement of cash flows and for the period then ended, notes to the financial statements including basis of preparation and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

Classification and valuation of administered commodity and electricity derivative financial instruments (\$220.099 million)

Refer to Note 5.5 (e) in the financial report

Key audit matter	How my audit addressed this key audit matter
<p>Management has estimated the fair value of the department's commodity and electricity derivative financial instruments to be \$220.099 million liability as at 30 June 2021.</p> <p>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:</p> <ul style="list-style-type: none"> • Forecast commodity and electricity prices • Physical generation variables • Market loss factors • Energy policy considerations. 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the valuation models, 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 (\$326.735 million) and infrastructure assets (\$239.881 million)

Refer to Note 3.1(e) in the financial report

Key audit matter	How my audit addressed this key audit matter
<p>The fair value measurement of commercial buildings without an observable market and infrastructure assets is based on the current replacement cost method.</p> <p>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 2021.</p> <p>The comprehensive revaluations are dependent on certain key assumptions that require significant management judgement for:</p> <ul style="list-style-type: none"> • 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 • Estimating the remaining useful life of each asset <p>The indexation method required:</p> <ul style="list-style-type: none"> • judgement in determining changes in cost and design factors for each asset type since the previous indexation or comprehensive revaluation 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • reviewing management's annual assessment of useful lives • ensuring that no building asset still in use has reached or exceeded its useful life • where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Key audit matter	How my audit addressed this key audit matter
<ul style="list-style-type: none"> reviewing previous assumptions and judgements used in the indexation or comprehensive revaluation to ensure ongoing validity of assumptions and judgements used. <p>The measurement of accumulated depreciation involved significant judgements for determining condition and forecasting the remaining useful lives of the asset building components.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense.</p>	

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the department's internal controls, but allows me to express an opinion on compliance with prescribed requirements.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the department to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

Statement

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

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

Prescribed requirements scope

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



Charles Strickland
as delegate of the Auditor-General

31 August 2021

Queensland Audit Office
Brisbane

