

Annual Leave Central Scheme Guidelines

BACKGROUND

On the 30 June 2008, the Annual Leave Central Scheme (the ALCS) was established to centrally fund annual leave obligations in the General Government sector. At this date, agencies transferred their employees' annual leave entitlements to the Crown and as a result ceased to report annual leave liabilities on their respective balance sheets. Annual leave liabilities are reported at a consolidated whole-of-government level.

At inception, member agencies compensated the Crown for the current portion of annual leave liabilities and transferred the non-current portion of liabilities by way of a non-appropriated equity withdrawal.

From 1 July 2014, the ALCS membership scope is broadened to include some statutory bodies of the general government sector on a voluntary basis. Generally, statutory bodies should be 50 percent budget funded. Statutory bodies are to compensate the Crown for the annual leave balances transferred to the scheme.

The scheme is funded by agency levies. Levies received are invested in the Consolidated Fund. The invested funds are used to reimburse member agencies for the annual leave payments made to their employees.

Agencies remain responsible for the day to day management of leave liabilities, monitoring levels of liabilities and reporting to the scheme.

MANAGEMENT OF ANNUAL LEAVE

Agencies will continue to be responsible for the management of their employees' annual leave balances. Member agencies will comply with the Industrial Relations Directive No. 02/16 "Recreation Leave". Agencies are to ensure excessive annual leave is not accumulated by employees. Relevant public service commission directives and circulars can be obtained from the internet at the below address.

<https://www.qld.gov.au/gov/request-advice-about-directives-policies-and-guidelines>

SCHEME ADMINISTRATION

The scheme is an administrative arrangement within Consolidated Fund. Queensland Treasury and Trade is the administrator of the scheme.

Key participants in the operation of the scheme are the Fiscal and Taxation Policy Branch of Queensland Treasury and Trade and QSuper Limited. Their respective roles are:

Fiscal and Taxation Policy Branch (Ph 303 51955)

- Resolving policy issues and policy development
- Co-ordinating the collection of annual data from agencies to calculate the whole-of-Government annual leave liability for AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*
- Performance monitoring
- Approval of payment of refunds and operating expenses of the scheme

QSuper Limited (HELPDESK Ph 1300 367 845)

- Collection of annual leave levies from participating agencies
- Processing and payment of annual leave claims to participating agencies
- Payment of refunds to participating agencies
- Maintenance of administration records and provision of transactional reporting to Queensland Treasury and Trade
- Support agency enquiries in respect of remittance levies and claim payments

SCHEME MEMBERSHIP

Membership to the scheme is mandatory for departments (as defined in the *Financial and Administration and Audit Act 1977*), commercialised business units and shared service providers and voluntary for some statutory bodies. The scheme will cover all annual leave entitlements of public service officers and other employees of member agencies. (Refer to Attachment B – ALCS Member Agencies)

LEVY

Member agencies must contribute a levy equal to their accrued quarterly annual leave cost, including leave loading and on-costs.

On-costs

Applicable on-costs including employer superannuation contributions, long service leave levy, workers compensation and payroll tax accrued for annual leave entitlements should be included in members' annual leave levies. On-costs will differ across agencies depending on the entitlements of individual employees and their respective industrial agreements. Agencies may choose to use a standard on-cost rate for types of occupational groups as opposed to actual on-costs.

Capitalised and on-charged salary and wage costs

Where agencies capitalise or on-charge any salaries and wages, these costs must be included in the calculation of the levy to ensure all employees are fully covered by the scheme.

Secondments

Member agencies are responsible for the payment of the annual leave levy for all employees on their payroll. This includes employees on secondment to other agencies that have been retained on the payroll of the transferring agency.

To ensure that the annual leave levy is borne by the receiving agency, the transferring agency should seek reimbursement of levies paid on the employee's account from the receiving agency.

Where a seconded employee has been retained on the transferring entity's payroll the secondees' salary costs reimbursement must be coded to WOGFIR 511103 "Salaries and Wages not included for LSL and AL levy calculation" by both the transferring and receiving

agencies. This will simplify the consolidated reporting and reconciliation process and will ensure that costs are recorded only once.

CLAIMS FOR ANNUAL LEAVE TAKEN

Agencies are responsible for paying employees their annual leave (in-service or cash equivalent). Following the end of each quarter, agencies seek reimbursement from the scheme for actual payments made to employees and associated on-costs.

The scheme does not impose uniform application of on-costs as these costs will differ across agencies depending on the entitlements of individual employees and their respective industrial agreements. Agencies are to seek reimbursement for actual on-costs incurred consistent with those included in the calculation of the annual leave levy.

Where leave loading is paid to employees once a year, for example, in December, agencies should seek reimbursement in the appropriate quarterly claim.

Supporting documentation such as employee names, salary level, length of service, etc does not have to be submitted with the claim, however agencies do need to retain this information for both their own administrative purposes and audit verification.

TRANSFERRED EMPLOYEES

Member agencies must comply with Directive No. 02/16 – Recreation Leave, issued by the Minister for Employment and Industrial Relations.

Pursuant to Directive No. 02/16, transfer payments may be required between a member and non-member agency. Reference should be made to “Additional conditions applicable to officers and temporary employees only” section of the directive. In particular, reference should be made to section 5 “Movement of employees across/within Departments (excluding MOGs)” in determining when a cash transfer is required. The directive may be accessed from the internet using the below link.

<https://www.qld.gov.au/gov/request-advice-about-directives-policies-and-guidelines>

Cash Transfers

Directive No. 02/16 requires the transfer of funds representing the total recreation leave balance when an officer moves between agencies where there is a transfer of recreation leave balances in excess of two years accrual.

In circumstances where a cash transfer is due from a member agency to a non-member agency, the member agency is to pay the non-member agency and seek reimbursement for the transfer from the scheme as part of the quarterly process. Where money has been transferred to a member agency from a non-member agency these funds are to be on-forwarded to the scheme as part of the annual leave levy.

Cash transfers between member and non-member agencies are to be inclusive of on-costs, including leave loading. On-costs on “transfers in” are to be obtained from the transferor agency.

Non-cash Transfers

As members of the ALCS, agencies are not responsible for recording annual leave liabilities in their accounts. As a result, any non-cash transfers between member and non-member agencies does not give rise to the recognition of either an expense or revenue in the members' accounts for the sum transferred. The Crown, as the holder of the annual leave liabilities, will record the respective revenue/expense in relation to the amount of the annual leave entitlement and associated on-costs transferred. The Crown will recognise this expense/revenue based on the information provided by agencies in the "Reconciliation of Movements in Annual Leave Entitlements Statement". See Attachment A.

Agencies are, however, responsible for recognising an annual leave expense for the change in liability transferred in due to higher salary levels on employee commencement. This will ensure that any increase in the Crown's liability due to an employee taking up a position with a member agency at a level of pay higher than that at which the liability was transferred in, is funded by the member agency. (Refer "Accounting Entries" Note 5 for detailed example).

Machinery of Government changes will generally have little impact on the scheme as employees will still be covered by the scheme despite having a different employer.

REMITTANCE AND CLAIM PROCEDURES

QSuper Limited (QSuper) administers the receipt of levies and claim payments for the Annual Leave Central Scheme. All queries in relation to making levy payments or claims through the Electronic Data Collection (EDC) system should be directed to QSuper.

QSuper issues each member agency a pay office number. The pay office number should be quoted in all communications between a member agency and QSuper.

Annual leave levies and claim reimbursements are not to be netted off by agencies.

Levy remittance procedures

Agencies are to pay annual leave (AL) levies, including cash transfers in from non-members, to QSuper quarterly in arrears. Levies are due on the **12th working day** after the end of each calendar quarter.

One levy remittance is to be paid for each pay office code in respect of a quarter (i.e. multiple remittances per pay office code are not permitted).

Levies are to be remitted by electronic funds transfer (EFT). Agencies are to provide AL remittance information via the EDC system to QSuper at least one day prior to the funds transfer for forecasting purposes.

QSuper requires that EFT transactions be made using a pay office specific reference code in the "lodgement reference field" for each EFT remittance. The reference code appears on its bank statement and will assist in identifying the pay office, annual leave scheme and period of the remittance upon receipt.

The reference coding system has three variables:

- 1 Pay office code: agency specific four field code for example 0999
- 2 Scheme code: ALCS (annual leave levy remittance)
- 3 Period end date: example 30092016 (for period ending 30 September 2016)

An example of a complete reference code would be 0999ALCS30092016.

QSuper Banking Details

ACCOUNT NAME: Employers Contribution Account

BSB: 064 013

ACCOUNT NUMBER: 1000 7547

Annual leave claim procedures

Claims are to be submitted to QSuper via the EDC system by the **14th working day** following the end of the calendar quarter. There should be only one claim per agency/pay office code.

Each claim will need to be appropriately authorised in accordance with agency delegations in order for the payment to be processed. QSuper will remit agency claims by the end of the month following the quarter. No claims will be remitted if an agency has not paid its AL levy for the quarter.

ACCOUNTING ENTRIES

Agencies will not hold liabilities for annual leave on their Balance Sheet. Annual leave liabilities of the scheme will be recorded by the Crown (Consolidated Fund) and be reported as part of the State's consolidated financial statements. The annual leave levy amount is to represent the annual leave expense in the agency's Income Statement.

Accounting entries for annual leave transactions are summarised below.

1. Accrue monthly annual leave levy and on-costs

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	511201	HOU205	Annual leave expense (incl leave loading and on-costs)	xx	
	211672	CRO048	Annual leave levy payable		xx

2. Quarterly payment of annual leave levy and cash transfers in

Cash transfers received in a quarter from non-member agencies should be credited to 211672 and included in the member agencies' quarterly levy remittance. Cash transfers between members and non-members are to be inclusive of on-costs, including leave loading. On-costs on "transfers in" are based on those advised by the transferor agency.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	211672	CRO048	Annual leave levy payable	xx	
	111212	PFE218	Cash at bank		xx
Crown (Consolidated Fund)	111512	PFE218	Consolidated Fund bank	xx	
	211652	HOU205	Annual leave liability		xx

3. Monthly annual leave taken

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	112142	CRO048	Annual leave claim receivable	xx	
	111212	PFE218	Cash at bank		xx

4. Quarterly reimbursement of annual leave claims and cash transfers out

Any cash transfers to non-member agencies made by a member agency for employee movements should be included for reimbursement from the scheme in the quarterly claim. Cash transfers out of the scheme are to be inclusive of on-costs, including leave loading.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	111212	PFE218	Cash at bank	xx	
	112142	CRO048	Annual leave claim receivable		xx
Crown (Consolidated Fund)	589201	DTR045	Administered appropriation	xx	
	111512	PFE218	Consolidated Fund bank		xx
	211652	HOU205	Annual leave liability	xx	
	563003	HOU205	Sundry expenses		xx
Treasury Admin	491201	CRO048	Administered appropriation revenue		xx
	563003	HOU205	Sundry expenses	xx	

5. Non-cash transfers

Member agencies are only required to recognise an expense (or revenue) for the **difference** between the value of the liability transferred, from either another member or non-member agency, and the value of the employee's entitlement on commencement with the member agency. Member agencies are to ensure that the value of liabilities transferred are inclusive of on-costs.

Transfer from Non-Member example

An employee transfers from a non-member agency with a leave entitlement of 40hrs at \$10 an hour. On commencement with the member agency the employee has the leave entitlement of 40 hrs at \$15 hour. The member agency is to record a levy payable to the ALCS for \$200 (40hrs x (\$15-\$10)) plus associated on-costs. The Crown (Consolidated Fund) would recognise an expense and liability of \$400 plus associated on-costs, representing the annual leave liability transferred in from the non-member agency.

The transferred amount of \$400 plus associated on-costs would be reported in the agencies "Reconciliation of Movements in Annual Leave Entitlements" as a "Transfer in from non-members non-cash". The member agency would record the \$200 plus associated on-costs in the reconciliation as "Current year accrued annual leave".

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	511201	HOU205	Annual leave expense (incl leave loading and on-costs)	200	
	211672	CRO048	Annual leave levy payable		200

Entity	WOGFIR	CPID	Description	Dr	Cr
Crown (Consolidated Fund)	511201	HOU205	Annual leave expense (incl leave loading and on-costs)	400	
	112112	Agency	Sundry Receivable	200	
	211652	HOU205	Annual leave liability		600

Transfer from another member agency

Assume similar scenario as *transfer from non-member example* except the transfer occurs between member agencies. Neither member agency would record a transaction in their accounts for the \$400 plus associated on-costs. However, the receiving agency would record the additional employee annual leave entitlement of \$200 plus on-costs as in the *transfer from non-member example*.

In the “Reconciliation of Movements in Annual Leave Entitlements” the transferring member agency would report the \$400 transfer plus associated on-costs as a “Transfer out to member agencies” and the receiving agency would report it as a “Transfer in from member agencies”. Again, the receiving member agency would record the \$200 plus associated on-costs in the reconciliation as “Current year accrued annual leave”.

MEASUREMENT OF ANNUAL LEAVE CENTRAL SCHEME LIABILITY

The ALCS is not an actuarially assessed scheme. The annual leave liability of the scheme to be reported in the State's Consolidated Financial Statements will be measured based on information provided by member agencies. To this end, member agencies are required to complete and submit by the 31 July annually a "Reconciliation of Movements in Annual Leave Entitlements Statement" for the previous 12 months.

The Reconciliation of Movements in Annual Leave Entitlements Statement to be completed by agencies is contained in Attachment A.

The reconciliation statement is to be signed by the officer responsible for the financial administration of the agency.

It should be noted that "annual leave accrued" (including on-costs) and "transfers in from non-members cash" need to reconcile to levies paid to ALCS. Similarly, "annual leave taken" (including on-costs paid) and "transfers out to non member agencies – cash" must agree to actual claims paid by the scheme to the agency.

Agencies are responsible for calculating salary escalation and NPV adjustments for the financial year end based on agency experience. Discounting is to be in accordance with accounting standards. The applicable discount rate will be supplied annually by Queensland Treasury. The Crown will record these adjustments based on data supplied by agencies via the reconciliation statement.

Reconciliation of Movements in Annual Leave Entitlements		
Member Agency Name:	XXXX	
Financial Year	20XX-XX	
<i>All line items to include on-costs</i>		\$'000
Total Employee Annual Leave Entitlements	1 July 20XX	0
<i>(as per previous years Reconciliation Statement closing balance)</i>		
Less 20XX-XX (prior FY) Salary escalation and NPV		0
<i>(as per previous years Reconciliation Statement advice)</i>		
O/bal Employee annual leave entitlements		0
as per Human Resource systems		
Add Current year accrued annual leave		
Add Transfers in from member agencies (incl MOGs)		
Add Transfers in from non members - cash		
Add Transfers in from non members - non-cash		
Less Annual leave taken		
Less Transfers out to member agencies (incl MOGs)		
Less Transfers out to non member agencies - cash		
Less Transfers out to non member agencies - non-cash		
C/bal Employee annual leave entitlements		0
as per Human Resource systems		
Add Salary escalation (eg EB increases)		
Less NPV adjustment (discount rate X% as advised by Fiscal Reporting)		
Total Employee Annual Leave Entitlements	30-Jun 20XX	0
<i>The correct split of annual leave for whole-of-Government purposes is as follows:</i>		
Current		
Non-current		
		0
CERTIFICATION BY ENTITY		
For the year ended	30 June 20XX	
STATEMENT BY OFFICER RESPONSIBLE FOR FINANCIAL ADMINISTRATION		
I certify that the above information is a complete and accurate reflection of transactions and records relating to annual leave for the financial year. Xxagency nameXX		
Signature		
Print Name		
Designation		
Date		

ALCS MEMBER AGENCIES

Aboriginal and Torres Strait Islander Partnerships
Agriculture and Fisheries
Communities, Child Safety and Disability Services
Community Safety
Education and Training
Electoral Commission of Queensland
Energy and Water Supply
Environment and Heritage Protection
Queensland Health (see also LHHNs)
Housing and Public Works
 QFleet
 Building and Asset Services
Justice and Attorney-General
Legislative Assembly
Health and Hospital Services (HHSs)
 HHS – Metro South
 HHS – Metro North
 HHS – Children’s Health Services Network
 HHS – Gold Coast
 HHS – Darling Downs
 HHS – Sunshine Coast
 HHS – Wide Bay
 HHS – Central Queensland
 HHS – Townsville
 HHS – Mackay
 HHS – Cairns and Hinterland
 HHS – Torres Strait and Northern Peninsula
 HHS – Cape York
 HHS – North West
 HHS – Central West
 HHS – South West
 HHS – West Moreton
Infrastructure, Local Government and Planning
Motor Accident Insurance Commission
National Parks, Sport and Racing
Natural Resources and Mines
Nominal Defendant
Office of the Information Commission

Office of the Inspector-General Emergency Management
Office of the Governor
Office of the Health Ombudsman
Office of the Ombudsman
Public Service Commissioner
Public Safety Business Agency
Queensland Police Services
Premier and Cabinet
Queensland Audit Office
Science, Information Technology and Innovation
 CITEC
 Corporate Administration Agency
 Queensland Shared Services
State Development
 Economic Development Queensland
TAFE Queensland
Tourism, Major Events, Small Business and the Commonwealth Games
Transport and Main Roads
 Roadtek
Trade and Investment Queensland
Queensland Curriculum and Assessment Authority
Queensland Family and Child Commission
Queensland Mental Health Commission
Queensland Treasury
Queensland Reconstruction Authority