

OUR FINANCIAL POSITION EXPLAINED

Queensland Treasury's financial statements fall into two categories:

- **Administered** – the funds we administer on behalf of the government
- **Controlled** – the revenue, expenses, assets and liabilities we use to conduct our business as a department.

Analysis

In 2015-16, Queensland Treasury administered \$30.22 billion of revenue and \$5.97 billion of expenses on behalf of the State. This excludes administered item revenue which is appropriation revenue received from the Consolidated Fund to meet administered expenses.

The largest single source of administered revenue was grants and other contributions of \$17.07 billion, followed by state taxes of \$10.24 billion.

The main component of Commonwealth grant revenue was Queensland's share of the GST. Other Commonwealth revenue includes funding for National Partnership Payments and Natural Disaster Relief and Recovery funding arrangements.

We administered a number of grants on behalf of the State in 2015–16 including the First Home Owners Grants.

Our controlled revenue consists principally of Parliamentary appropriations. In 2015–16, revenue allocated to services was \$210.19 million (compared with \$217.37 million in 2014–15).

Queensland Government Insurance Fund

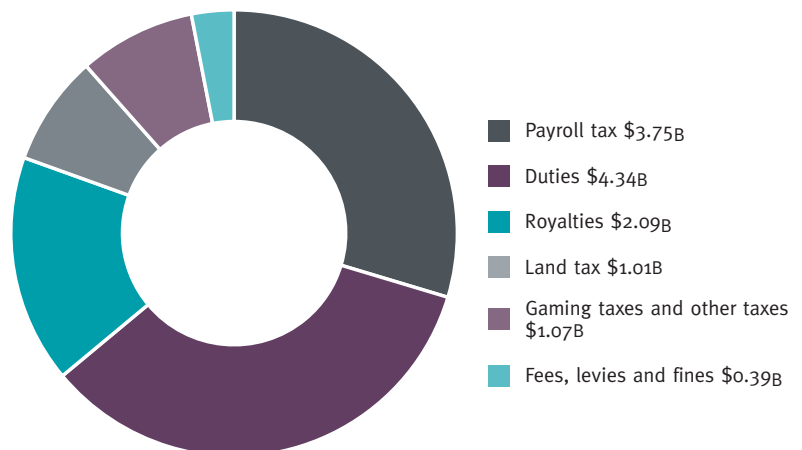
The Queensland Government Insurance Fund (QGIF), administered by Treasury, is a self-insurance arrangement into which government agencies pay premiums to meet the cost of claims and to build reserves to cover the cost of future potential liabilities.

Claims are paid out of Queensland Treasury's Administered accounts, while the provision for future claims is held at the whole-of-government level.

The liability balance at 30 June 2016 was \$882.3 million (net of estimated property reinsurance recovery of \$4.3 million), compared to \$902.8 million at 30 June 2015. Investments to sufficiently cover the government's outstanding claims liabilities are held by the Queensland Treasury Corporation within its long term assets. The fund reinsurance program has been in place since 1 November 2011 and is subject to annual renewal.

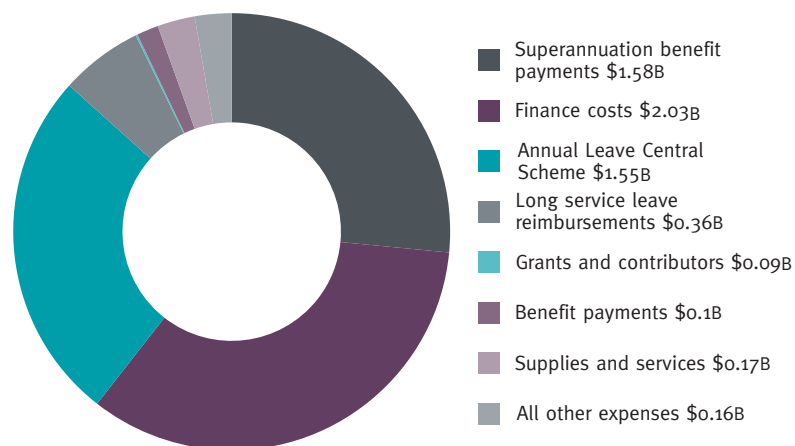
QGIF claims liabilities and associated investment balances are reported in the government's annual Report on State Finances.

Royalties, state taxes, fees, levies and fines 2015–16



Administered revenue collected by Office of State Revenue decreased 0.8 per cent to \$12.659 billion in 2015-16

Total administered expenses by category 2015–16



Queensland Treasury administered revenue

	2015–16	2014–15
Commonwealth funding as a percentage of total revenues	47%	47%
State funding as a percentage of total revenues	17%	17%
Funding from external sources as a percentage of total revenues	36%	36%

Queensland Government Insurance Fund Financial summary	30 June 2016 \$M	30 June 2015 \$M
Assets under investment	1,642.8	1,524.7
Provision for future liabilities	882.3	902.8
Premiums collected	189.0	181.3
Net claims paid	136.4	120.9
Fund operating expenses	4.8	4.9
Reinsurance expense	25.5	26.8

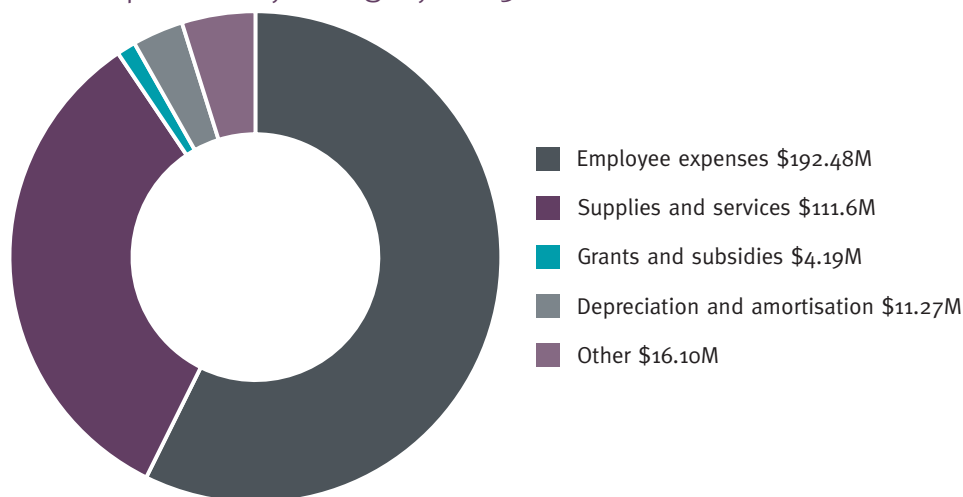
ADMINISTERED

Queensland Treasury

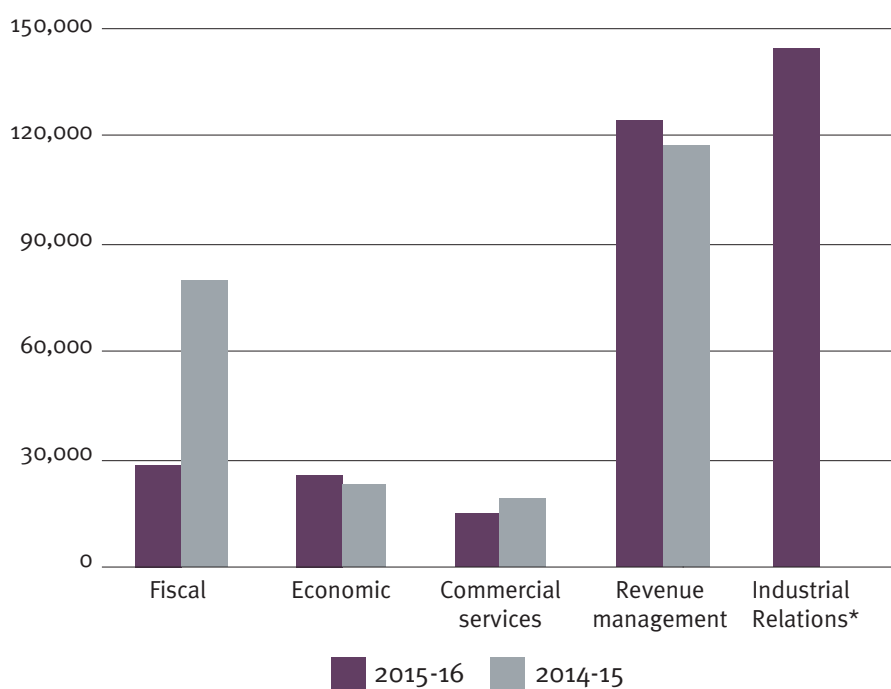
Administered Statement of Comprehensive Income for the year ended 30 June 2016

	Treasury Department actual 2014-15 \$'000	Treasury Department actual 2015-16 \$'000	
Income from continuing operations			
Revenue			
Grants and other contributions	16,757,732	17,071,872	Increase is largely attributable to growth in GST funding due to a review of GST revenue sharing relativities and an increase in funding due to indexation of Students First - Education reform. This is partially offset by a decrease in capital project payments due to revised funding cash flows from Commonwealth and a reduction in National Partnership agreements payments expiring in 2014-15.
Taxes	10,370,039	10,244,571	Decrease is due to reduced payroll tax arising from low growth in employment and wages and a reduction in the collection of transfer duty.
User charges and fees	76,974	135,332	Increase is largely due to a machinery-of-government (MoG) transfer of Office of Industrial Relations (OIR) and an increase to the collection of fees by the State Penalties Enforcement Registry (SPER).
Royalties	2,008,980	2,092,949	Increase is predominantly due to an increase in mining royalties collected by the Office of State Revenue.
Finance income	30,744	126,960	Increase is due to investment earnings on balances held in QTC working capital funds during 2015-16 as part of the implementation of the government's enhanced Debt Action Plan.
Administered item revenue	6,289,927	5,972,731	Administered item revenue is received from Consolidated Fund (CF) to fund administered expenses. Material variances in administered expenses are outlined below.
Other revenue	566,985	549,048	
Total income from continuing operations	36,101,381	36,193,463	
Expenses			
Supplies and services	168,338	165,365	Decrease is primarily due to the reversal of an impairment loss recognised in 2014-15 as a result of a court decision, and also an overall reduction in impairment losses recognised by SPER.
Impairment losses	163,068	10,106	
Grants and subsidies	38,538	8,514	Decrease is due to grants made to Trade and Investment Queensland as they are now paid by another department, and also grants paid to the Queensland Competition Authority associated with Office of Best Practice Regulation.
Benefit payments	97,406	95,762	
Finance cost	2,125,447	2,028,103	Decrease reflects higher than average state share of superannuation beneficiary payments made during 2014-15.
Superannuation benefit payments	1,798,151	1,580,244	
Long service leave reimbursements	368,008	363,482	Increase is a result of higher than average payments made to QSuper Ltd compared to 2014-15.
Annual Leave Central Scheme claims paid	1,422,684	1,554,535	
Other expenses	243,261	161,925	Decrease is mainly due to an expense recognised in 2014-15 associated with appropriation payable to the CF, partially offset by an increase in Queensland Government Insurance Fund claims.
Losses on financial instruments at fair value	7,483	-	The decrease reflects that the forward swap contract to hedge the interest rate exposure risk associated with the Sunshine Coast University Hospital project was transferred to the Government Debt Pool in 2014-15.
Total expenses from continuing operations	6,432,384	5,968,036	
Operating result for the year before transfers to government	29,668,997	30,225,427	
Transfers of administered comprehensive income to government	29,668,997	30,225,427	Represents revenues collected on behalf of Queensland Government which are transferred to CF. Material variances in administered revenue are outlined above.
Total administered comprehensive income	-	-	

Total expenses by category 2015–16



Total expenses by service 2015–16



* Machinery of Government (MoG) transfer into QT for the Office of Industrial Relations (OIR) occurred in 2015-16.

Queensland Treasury controlled key financial performance indicators

	2015–16 actual	2014–15 actual
Net cost of services funded by appropriation (\$M)	\$210.13	\$216.86
State funding as a % of total revenue	64%	92%
Fixed assets employed (\$'000)	\$11,498	\$10,420
Net assets (\$'000)	\$54,517	\$40,573

CONTROLLED

Queensland Treasury and controlled entity

Statement of Comprehensive Income for the year ended 30 June 2016

	Treasury Department Actual 2014-15 \$'000	Treasury Department Actual 2015-16 \$'000
Income from continuing operations		
Revenue		
Appropriation revenue	217,370	210,194
User charges	17,141	29,072
Grants and other contributions	253	91,391
Other revenue	427	1,367
Gains		
Gain/(loss) on sale/disposal of property, plant and equipment	-1	-6
Total income from continuing operations	235,190	332,018
Expenses from continuing operations		
Employee expenses	94,181	192,484
Supplies and services	119,692	111,595
Grants and subsidies	-	4,185
Depreciation and amortisation	10,984	11,273
Impairment expense	-4	143
Other expenses	9,827	16,095
Total expenses from continuing operations	234,680	335,775
Operating result from continuing operations	510	-3,757
Operating result for the year	510	-3,757
Total comprehensive income	510	-3,757

Decrease is due to finalisation of funding provided in 2014-15 to compensate Queensland Treasury Corporation (QTC) for costs incurred in relation to the former Government's preparatory and due diligence activities for transactions associated with State's income-generating assets. This is partially offset by the impact of the Machinery-of-Government (MoG) transfer of Office of Industrial Relations (OIR).

Increase is entirely due to the MoG transfer of OIR relating to licensing and registration fees for plant and electrical and self-insurer levies.

Increase is due to the MoG transfer of OIR reflecting workplace health and safety grant payments from Workcover Queensland.

Increase is largely due to the MoG transfer of OIR reflecting revenue from electrical safety breaches fines and claims recoveries.

Increase is largely due to the MoG transfer of OIR. Also contributing is the impact of the Enterprise Bargaining increase.

Decrease is due to payments in 2014-15 to compensate QTC for costs incurred in relation to the former Government's preparatory and due diligence activities for transactions associated with State's income-generating assets. This is partially offset by the MoG transfer of OIR.

Increase is wholly due to the MoG transfer of OIR reflecting grant payments made to organisations.

Increase is predominately due to the MoG transfer of OIR reflecting operating lease expenses associated with motor vehicle lease arrangements with QFleet and advertising and promotional costs associated with a number of OIR advertising campaigns.

Queensland Treasury and controlled entity

Statement of Financial Position as at 30 June 2016

	Treasury Department Actual 2014-15 \$'000	Treasury Department Actual 2015-16 \$'000
Assets		
Cash	22,540	37,910
Receivables	11,148	13,514
Other	3,500	4,725
Financial assets	6,833	16,833
Intangible assets	8,942	8,481
Property, plant and equipment	1,478	3,017
Total assets	54,441	84,480
Liabilities		
Payables	10,992	21,819
Accrued employee benefits	2,809	7,788
Unearned revenue	67	356
Total liabilities	13,868	29,963
Net assets	40,573	54,517
Total equity	40,573	54,517

The increase is primarily due to the MoG transfer of OIR, a reduction in net GST receivable, and decreased project cost reimbursements receivable for projects managed by the Commercial Group.

The increase is due to the MoG transfer of OIR. This is partially offset by a reduction in net GST receivable and decreased project cost reimbursements receivable for projects managed by the Commercial Group.

Increase mainly comprises of the MoG transfer of OIR relating to prepayments of software licences.

Increase reflects the purchase of units in the Business Development Fund Trust.

Increase is largely attributable to the MoG transfer of OIR, partially offset by accelerated depreciation on leasehold improvements and general property, plant and equipment due to the transition to 1 William Street.

Increase predominately reflects payables to Department of Justice and Attorney-General relating to post MoG transactions, trade and corporate cards associated with OIR. Also contributing is an increase in unearned appropriation associated with funding carried over to the future year for departmental projects.

Increase primarily relates to the MoG transfer of OIR

Increase is predominately due to the MoG transfer of OIR.