Department of Regional Development and Manufacturing

2019–2020 ANNUAL REPORT

Queensland Government

About this report

The *Department of Regional Development and Manufacturing Annual Report 2019–2020* is an integral part of our Corporate Governance Framework. It is a key tool in ensuring we are accountable to stakeholders, the Queensland Parliament and the community about our activities.

Under the *Financial Accountability Act 2009*, GasFields Commission Queensland produces a separate annual report and financial statements on the administration of the *GasFields Commission Act 2013*.

Accessing the report

This report and information on the department's related government bodies is available online at www.drdm.qld.gov.au.

Additional annual reporting requirements have been published on the Queensland Government Open Data website at www.data.qld.gov.au.

Contact information

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Feedback on the annual report can be provided on the Queensland Government *Get Involved* website at www.qld.gov.au/annualreportfeedback

Interpreter assistance

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on either of the numbers above and we will arrange an interpreter to effectively communicate the report to you.

ISSN 1839-4582

30 September 2020

The Honourable Glenn Butcher MP
Minister for Regional Development and Manufacturing
1 William Street
Brisbane Qld 4000

Dear Minister

I am pleased to submit for presentation to the Queensland Parliament the Annual Report 2019–2020 and financial statements for the Department of Regional Development and Manufacturing.

As a result of machinery of government changes that came into effect on 11 May 2020, the department transferred the functions of state development; investment facilitation and partnerships; business commercial and performance; Economic Development Queensland and the Office of the Coordinator-General to the Department of State Development, Tourism and Innovation; and the functions of planning; and economic and infrastructure strategy to Queensland Treasury.

This report is prepared on the basis of the current administrative arrangements for this agency applying for the whole of the 2019–2020 financial year. That is, it reflects the structure, operations and performance of the agency 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 Queensland Government's annual reporting requirements is included in appendix four of this report or can be accessed at www.drdm.qld.gov.au.

Yours sincerely

Frankie Carroll
Director-General
Department of Regional Development and Manufacturing

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PART A

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DIRECTOR-GENERAL'S REPORT

I am pleased to present the Department of Regional Development and Manufacturing (DRDM – the department) Annual Report for 2019–2020. The year has presented the unprecedented challenge of the Novel Coronavirus (COVID-19) pandemic; in response, the department has rallied to support regional Queensland communities, and the state's manufacturing industry and its workers.

The department refocused its efforts to deliver critical pandemic response activities including the priority sourcing and manufacturing of personal protective equipment in Queensland. In parallel with COVID-19 response activities, the department has continued to plan for, and deliver, against our objectives to drive economic and jobs growth, and create a sustainable and innovative Queensland manufacturing sector.

To open DRDM's first annual report, I am delighted to share some of the department's key achievements for 2019–2020.

Regional development

Building on the development of regional manufacturing hubs, a new regional manufacturing hub was established in Gladstone in June 2020, providing local manufacturing businesses the opportunity to connect with experts and gain advice in innovative and world-leading technologies. The department operates three other manufacturing hubs in Cairns, Townsville and Rockhampton, which commenced operations in April 2019. The hubs are a deliverable action under the *Queensland Advanced Manufacturing 10-Year Roadmap and Action Plan* (Strategy 4: supporting manufacturing and manufacturing growth sectors across Queensland).

Manufacturing

The department's Made in Queensland (MIQ) grant program continues to support manufacturers to become more productive, innovative and competitive. During 2019–2020, recipients expanded their operations to employ even more Queenslanders. Approval of MIQ's third grant round increases the total number of projects supported to 85, supporting an anticipated over 1100 jobs over five years and generating more than $100 million in private sector investment.

The $450,000 Queensland Hackerspace Grant Program aims to promote science, technology, engineering and maths (STEM) skills to increase young people's interest in manufacturing and converting ideas into manufactured products, encourage manufacturers and young people to use hackerspaces to share ideas, equipment, knowledge, and to problem solve. Round 2 of the program was delivered in 2019–2020, with 13 hackerspaces receiving funding.

Following what has been a very challenging year for Queenslanders, the department's commitment to creating long-term, sustainable jobs of the future in our regions and manufacturing sector has only been strengthened.

To DRDM staff – you have my sincere thanks for the exceptionally hard work you do for the benefit of all Queenslanders.

To our regional communities and manufacturing industries – protecting your jobs and leading the economic recovery of your businesses is of paramount importance to us. We are here to help you in these challenging times.

Frankie Carroll
Director-General
Department of Regional Development and Manufacturing

COVID-19 RESPONSE

Throughout the COVID-19 pandemic, DRDM has focused on facilitating the manufacture of personal protective equipment (PPE) for Queensland Government frontline workers and assisting the identification of essential goods manufacturing.

The department worked closely with Queensland Government agencies, in particular Queensland Health and the Department of Housing and Public Works (DHPW), and industry organisations to develop Queensland manufacturing responses where possible.

Key actions included:

- collaborating with industry and other stakeholders both across the state and nationally to identify the issues regarding supply of PPE
- engaging interagency teams to achieve collaboration outcomes
- identifying PPE manufacturing opportunities and assisting with approvals and supply chain
- establishing a Queensland Government COVID-19 Industry Capability Network Manufacturing Supply Chain webpage
- connecting manufacturers and businesses throughout Queensland through supply chain matching
- adopting online platforms to run supply chain capability development workshops statewide
- establishing the #MakingItForQLD campaign to promote Queensland's manufacturing capability.

Departmental preparedness

Business continuity planning and testing is integral to the department's ability to continue service delivery following business interruption. Given the unprecedented nature of COVID-19, the department undertook additional preparedness activities to ensure we were ready to best support our industries.

This included validating our Pandemic Response, Crisis Communications and Business Continuity Plans to assure the department's ability to deliver critical services and support throughout the COVID-19 pandemic.

From a people perspective, we established a predominantly telecommuting workforce in alignment with public health orders, enabling staff to be fully functional and effective while working from home. We also deployed a number of our staff to undertake essential COVID-19 response work across government.

ABOUT THE DEPARTMENT

The Department of Regional Development and Manufacturing was formed on 11 May 2020, following machinery of government changes. The department includes the regional development and manufacturing divisions of the former Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP).

The department comprises two groups:

- Regional Development
- Manufacturing.

Core corporate services are provided to DRDM by the Department of State Development, Tourism and Innovation (DSDTI).

Our vision

Our vision is a strong, resilient and inclusive Queensland with thriving regional economies and an innovative manufacturing sector.

Our role

Our role is to generate economic growth and jobs of the future through competitive regional economies and creating a sustainable and innovative manufacturing sector.

We work to develop strategies and capabilities to deliver on the following Queensland Government *Our Future State: Advancing Queensland Priorities* of:

- create jobs in a strong economy
- be a responsive government.

Legislation administered by the department

- *GasFields Commission Act 2013*
- *State Development and Public Works Organisation Act 1971* (to the extent that it is relevant to mining and mining and transport infrastructure, jointly administered with the Minister for State Development, Tourism and Innovation)
- *Surat Basin Rail (Infrastructure Development and Management) Act 2012*.

Our values

The department promotes the Queensland public service values of customers first, ideas into action, unleash potential, be courageous and empower people.

Figure 1: Queensland public service values

Machinery of government changes

As a result of the machinery of government changes that came into effect on 11 May 2020, the former DSDMIP was renamed DRDM, reporting to the Minister for Regional Development and Manufacturing.

Incoming and outgoing divisions or functions

There were no incoming functions as a result of the machinery of government changes.

The following table outlines those divisions or functions that left the department.

Table 1: Outgoing divisions or functions

Left the department – 11 May 2020
State Development
Investment Facilitation and Partnerships
Economic Development Queensland
Office of the Coordinator-General
Business, Commercial and Performance
Planning
Economic and Infrastructure Strategy

Related annual reports

The following table outlines where the non-financial performance information and financial statements for the outgoing divisions from the former DSDMIP can be located for 2019–2020:

Table 2: Related annual reports

Division/function and reporting period	*Related annual report*
State Development	Department of State Development, Tourism and Innovation
Investment Facilitation and Partnerships	
Economic Development Queensland	
Coordinator-General	
Business, Commercial and Performance	
Planning	Queensland Treasury
Economic and Infrastructure Strategy	

OUR OPERATING ENVIRONMENT

Our strategic objectives

To achieve our vision, the department delivers through the below objectives and strategies:

Create competitive regional economies through:

- delivering regional manufacturing hubs to transform and support diverse regional industries to meet local and global demand
- building regional economic capacity and capability
- identifying and delivering regional development opportunities
- enhancing engagement with local key stakeholders
- working across government to realise regional benefit from funding programs.

Create an innovative and resilient manufacturing sector through:

- working with manufacturers to achieve improved productivity, increased international competitiveness and the generation of new jobs throughout Queensland
- partnering with the manufacturing industry to attract, retain and build the manufacturing workforce of the future
- supporting manufacturing firms to adopt industry 4.0 technologies and practices, including robotics and autonomous systems
- enhancing existing manufacturing ecosystems, particularly in regional Queensland.

Attract private sector investment and create jobs by supporting priority industries through:

- supporting local manufacturers to onshore or reshore value-adding manufacturing activities

- strengthening the state supply chain infrastructure to improve Queensland's attractiveness to the private sector
- continuing to implement the *Advanced Manufacturing 10-Year Roadmap and Action Plan* in partnership with the manufacturing industry and key stakeholders
- promoting the achievements and capability of Queensland's manufacturing industry both locally and internationally.

Our indicators of success

We measure our success through:

- improved regional workforce participation, including among youth
- sustainable economic growth in our regions
- upskilling of the existing manufacturing workforce, generation of new jobs and attraction of private sector investment, particularly in regional Queensland
- implementation of the *Advanced Manufacturing 10-Year Roadmap and Action Plan*, sector strategies including rail manufacturing and craft brewing, and the *Skills Implementation Plan for Advanced Manufacturing* to support transformation of the Queensland manufacturing industry
- productivity improvements achieved and jobs generated through targeted industry development initiatives.

Our strategic risks and opportunities

The department's key strategic risks are:

- Regional economies are part of the broader state, national and global economies and are subject to the same fluctuations in economic conditions, which may be magnified within a regional economy.
- Diversity of infrastructure, investment and skills, increasing urbanisation and Queensland's vast geography creates challenges in ensuring development opportunities in regional communities.
- Variation of the regional workforce profile from the urban workforce profile.
- Technological breakthroughs, such as Robotic Process Automation, Artificial Intelligence, Blockchain and the Internet of Things are examples of technological advancement that are seeing companies needing to adapt to new technologies and business approaches, and simultaneously offering opportunities to harness disruption to introduce new, customer-focused products.
- Extreme weather events have historically disproportionately affected regional communities and economies.

The department takes an active approach to capitalising on the following strategic opportunities:

- Create and support competitive regional economies.
- Create and support jobs for Queenslanders, including in the regions, by supporting the manufacturing sector.
- Provide strong leadership and drive regional representation in Queensland Government policy and economic agenda.
- Harness the potential of technological advancements to support productivity improvement and attract and stimulate new technology-enabled industries (for example, advanced manufacturing).
- Leverage Queensland's multiple urban areas across the state to attract investment to Queensland's regions.
- Build on Queensland's reputation for liveability and affordability to attract skilled workers and investment to the regions.
- Promote the unique qualities of our regions and strengthen local businesses and industries.

Our strategic direction for 2020–2024

The department's strategic direction is highlighted in the *DRDM Strategic Plan 2020–2024*, which was launched in July 2020. The department's 2020–2021 annual report will reflect our achievement against this new plan.

This annual report summarises our achievement in regional development and manufacturing from 1 July 2019 to 30 June 2020.

Our key 2020–2021 priorities

Regional Development

- Advanced technology adoption for regional manufacturers.
- Workforce development for regional manufacturers.
- Skills and training for advanced manufacturing across the four regional hub areas.

Manufacturing

- Continue management of the Made in Queensland Program and monitoring of outcomes from projects being undertaken.
- Continue to deliver the Industry Engagement Program and initiatives under the Advanced Manufacturing roadmap to support and grow the manufacturing industry.
- Continue to develop local manufacturers and suppliers' capabilities to increase the opportunity for businesses to tender for private and public sector work.
- Release and implement the Rail Manufacturing Strategy for Queensland.
- Release and implement the Personal Protective Equipment and other Essential Products Directions Statement.
- Progress the *Queensland Craft Brewing Strategy* including launch of BrewLab and introduce the artisan liquor licence.
- Continue the *Skills Implementation Plan for Advanced Manufacturing*.
- Complete skills implementation plans for priority industries.
- Optimise reshoring opportunities.
- Ensure delivery of Makers Empire 3D Design and Additive Manufacturing program in Queensland primary schools.
- Pilot the High-Performance Workplace program with the Manufacturing Hubs.
- Connect the state's manufacturing sector with a global network of advanced manufacturers through the establishment of a World Economic Forum Advanced Manufacturing Hub in Queensland.
- Establish a National Association of Testing Authorities accredited testing facility for face masks in Queensland.
- Maximise the reach and impact of the Queensland Government's $7.71 million investment in the Advanced Robotics for Manufacturing Hub.

PROGRAM HIGHLIGHTS

To achieve our vision, the department delivers on *Our Future State: Advancing Queensland's Priorities* through our strategic objectives.

Regional Development

2019–2020 Strategic Objective: Attract and stimulate investment in Queensland to grow the economy and create secure, long-term jobs

Strategic Regional Projects

Our Strategic Regional Projects group facilitates regionally significant private sector projects and coordinates departmental strategies and initiatives.

Achievements in 2019–2020 included:

- tailored facilitation services to 21 projects with potential capital expenditure of $2.11 billion and 3142 construction and

- 1986 operational jobs. Projects are at various stages from feasibility through to construction
- assisting companies seeking funding through government programs.

Manufacturing Hubs

The original three regional manufacturing hubs in Cairns, Townsville and Rockhampton were established by the Queensland Government through an investment of $30 million over three years. The hubs began operating in April 2019.

A new hub was established in Gladstone in June 2020.

The manufacturing hubs are helping to strengthen and grow regional manufacturing through collaborative initiatives that bring together local businesses, all levels of government, economic development agencies and education providers. Since April 2019, the manufacturing hubs have conducted 1499 stakeholder engagements.

Manufacturing Hubs Grants Program

The Manufacturing Hubs Grants Program was released in February 2020. Funding of $2.963 million has been approved for 10 businesses, creating 60 jobs. Further grants are expected to be approved in coming months.

Manufacturing

2019–2020 Strategic Objective: Lead a coordinated and strategic approach to Queensland's medium to long-term economic development

Made in Queensland Program

MIQ continues to support small-to-medium enterprise (SME) manufacturers to transform their business and embrace Industry 4.0 to become more productive, innovative and internationally competitive.

Recipients have expanded their operations employing more Queenslanders. Approval of the third round of MIQ increases the total number of projects supported to 85, which are expected to create more than 1100 jobs over five years and generate more than $100 million in private sector investment.

Business capability development

The department, in partnership with DSDTI, continues to deliver workshops, seminars and networking events to increase the adoption of leading-edge design, innovation, technologies, processes and practices. A total of 107 workshops have been delivered to over 3200 participants in 2019–2020.

Supply chain services maximise local content outcomes from major project activity

The department's local content supply chain development services have assisted local suppliers to win $179.8 million worth of contracts on major projects. These services involve working directly with project proponents and their main contractors to increase the visibility of capable local suppliers and manufacturers to major public and private sector buyers and improve local content outcomes arising from major project activity in the state.

Skills Implementation Plan

The *Skills Implementation Plan for Advanced Manufacturing* was released in 2019 and is empowering the technological transformation of Queensland's manufacturing industry by attracting, developing and retaining world-class talent and skills. This is being achieved by:

- supporting the development of manufacturing skills ecosystems
- building leadership, business and workforce capabilities
- promoting industry
- attracting new entrants to manufacturing careers.

Advanced Robotics for Manufacturing Hub

The Queensland Government is contributing $7.71 million over four years towards the establishment of the nation's first Advanced Robotics for Manufacturing Hub.

The hub opened its doors in March 2020 and, in its first four months, engaged with 74 SMEs about the application of Industry 4.0 technology.

The hub provides advice on cutting-edge robotic technologies in a real factory environment, complementing links to the regional Manufacturing Hubs in Cairns, Townsville, Rockhampton and Gladstone and Defence Hubs in Townsville and Ipswich.

Queensland Hackerspaces Grant Program

This program is supporting the establishment and expansion of hackerspaces.

Hackerspaces are establishments where people with common interests – often in computing, machinery, technology, science or digital art – can collaborate and share skills and knowledge.

Hackerspaces are raising awareness about technologies and helping to strengthen Queensland's manufacturing industry, with $219,098 approved in 2019–2020 towards further establishment and expansion.

Manufacturing Ministerial Council

The Manufacturing Ministerial Council was established in 2018 to provide strategic industry advice on manufacturing in Queensland.

The council allows government, industry and unions to collaborate to drive the transition to advanced manufacturing.

Members provided advice in relation to the ongoing implementation of the Manufacturing Hubs and Hydrogen Strategy, development of the *Skills Implementation Plan for Advanced Manufacturing* and ways to support the supply of critical manufactured goods during COVID-19.

Craft brewing sector

Highlights of the Queensland Craft Brewing Strategy include a $1.1 million investment over five years to deliver Australia's first BrewLab in 2020. Located at Coopers Plains, BrewLab includes a sensory lab and quality assurance services. It also hosts the first TAFE Queensland course in brewing, Certificate III in Food Processing (Brewing).

The government is also streamlining regulation to further support industry growth.

OUR FINANCIAL PERFORMANCE

Chief Finance Officer Statement

In overseeing the financial activities of the Department of Regional Development and Manufacturing, I assert that I have fulfilled the responsibilities of Chief Finance Officer listed in section 77 of the *Financial Accountability Act 2009* including:

- financial resource management, including the establishment, maintenance and review of financial internal controls
- budget management
- preparation of financial information, including annual financial statements to facilitate the discharge of the department's statutory reporting obligations
- provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the department's requirements
- provision of advice concerning the financial implications of, and financial risks to, the department's current and projected services, and
- development of strategic options for the department's future financial management and capability.

I have provided a statement to the accountable officer confirming that the financial internal controls of the department are operating efficiently, effectively and economically as required by section 77 of the *Financial Accountability Act 2009*.

Chris Breitkreuz CPA

Chief Finance Officer

Summary of Financial Performance

This section provides an overview of the department's financial statements for the 2019–2020 financial year, which are detailed in Part B of this report.

Understanding the financial statements

As a result of the *Administrative Arrangements Order (No.1) 2020* dated 11 May 2020 with financial effect from 1 June 2020, the Department of State Development, Manufacturing, Infrastructure and Planning was renamed the Department of Regional Development and Manufacturing. Under this notice, the Infrastructure and Planning functions were transferred out to Queensland Treasury (QT), except for responsibilities for Economic Advisory and Government Indigenous Advisory, which were transferred to DSDTI. Further, the State Development, Major Projects (Coordinator-General) and Economic Development Queensland functions were also transferred to DSDTI.

This machinery of government change has attributed to both the decrease in the net assets as at 30 June 2020 as well impacting the operating result, with non-cash items primarily responsible for the operating deficit.

The following comparisons of the 2019–2020 financial results against 2018–2019 were considered and accepted by the department's Audit and Risk Management Committee at the 27 August 2020 meeting.

An explanation of major variances is included in the Financial Statements for the year ended 30 June 2020 (Note 25 Budget reporting disclosures and Note 34 Prior period errors and adjustments)

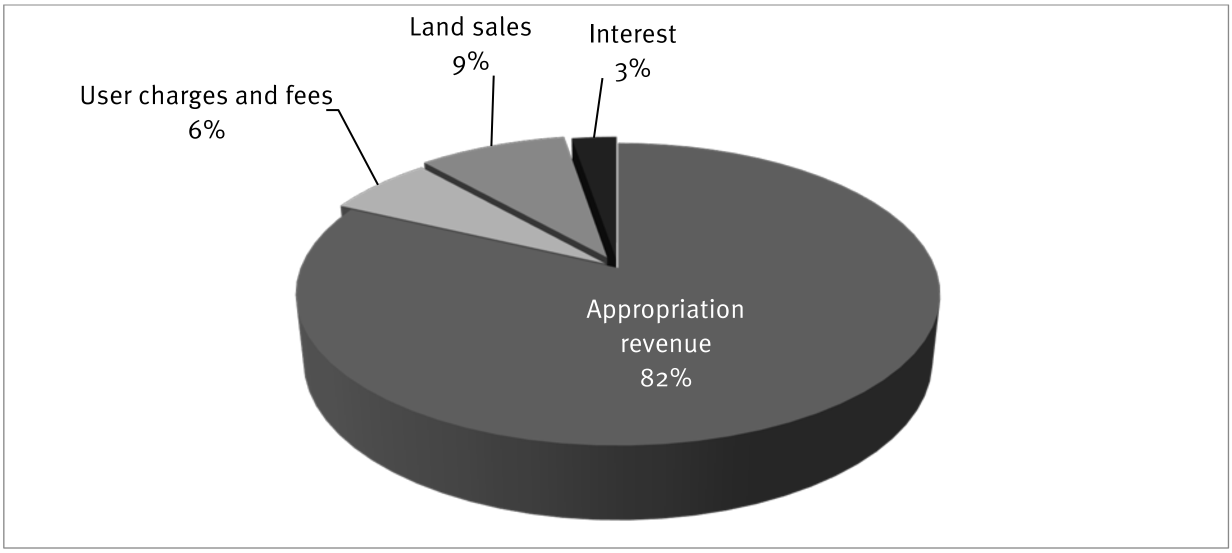
Analysis—operating result

Table 3: Operating result

	2020 *$'000*	*2019* *$'000*	*Variance* *$'000*
Total income	375,325	502,999	(127,674)
Total expenses	(423,184)	(497,340)	(74,156)
Operating result before income tax equivalent	**(47,859)**	**5,659**	**(53,518)**
Income tax equivalent	5,804	(11,092)	16,896
Total comprehensive income	**(42,055)**	**(5,433)**	**(36,622)**

Income

Figure 2: Income by category for the year ended 30 June 2020

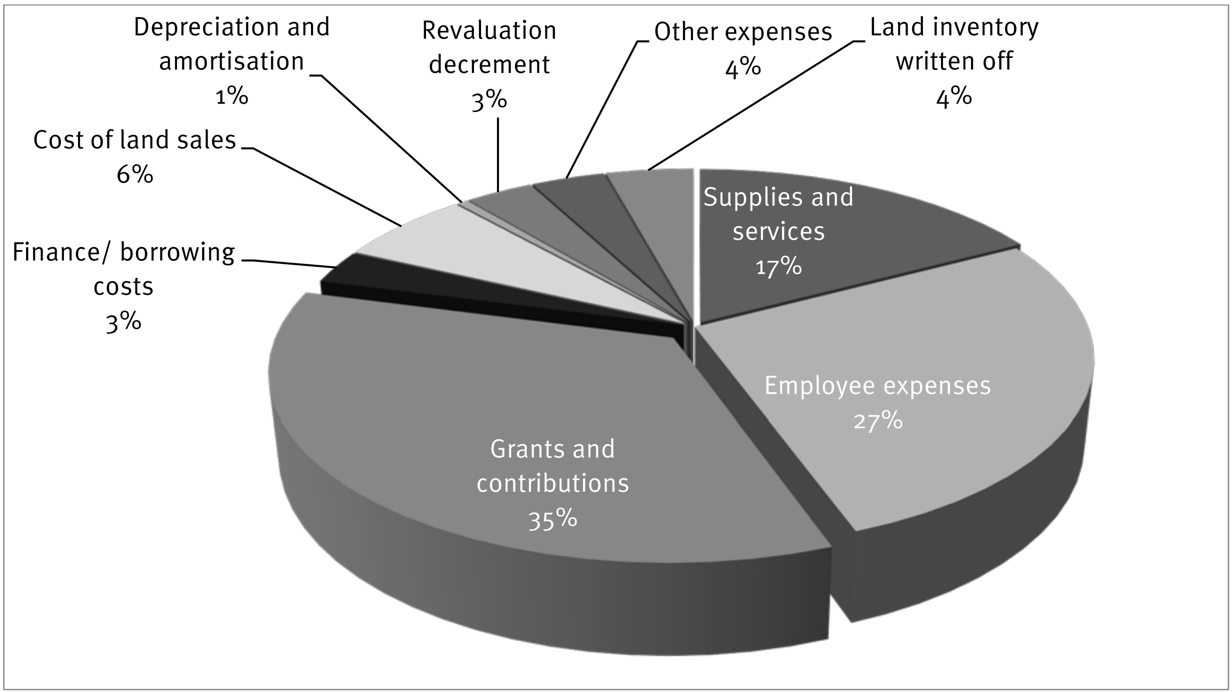


Total income for the year ended 30 June 2020 is $375.325 million. The 2019–2020 appropriation revenue decreased by $76.165 million predominantly due to the May 2020 machinery of government, for functions transferred to QT and DSDTI effective 1 June 2020.

The department's significant income categories are appropriation revenue, user charges and fees and land sales.

Expenses

Figure 3: Expenses by category for the year ended 30 June 2020



Total expenses for the year ended 30 June 2020 are $423.184 million. This is a decrease of $74.156 million from 2018–2019, mainly attributed to 11 months of transactions compared to 12 months in the comparative year and a decrease in grants and contributions, reprofiled due to the impact of the COVID-19 pandemic.

The department's significant expenses categories are grants and contributions, employee expenses, and supplies and services.

Statement of Financial Position—Assets and Liabilities

Table 4: Assets and liabilities

	2020 *$'000*	*2019* *$'000*	*Variance* *$'000*
Total Current Assets	142,916	343,552	(200,636)
Total Non-Current Assets	0	1,014,633	(1,014,633)
Total Assets	**142,916**	**1,358,185**	**(1,215,269)**
Total Current Liabilities	129,025	218,354	(89,329)
Total Non-Current Liabilities	0	240,056	(240,056)
Total Liabilities	**129,025**	**458,410**	**(329,385)**
Total Equity	**13,891**	**899,775**	**(885,884)**

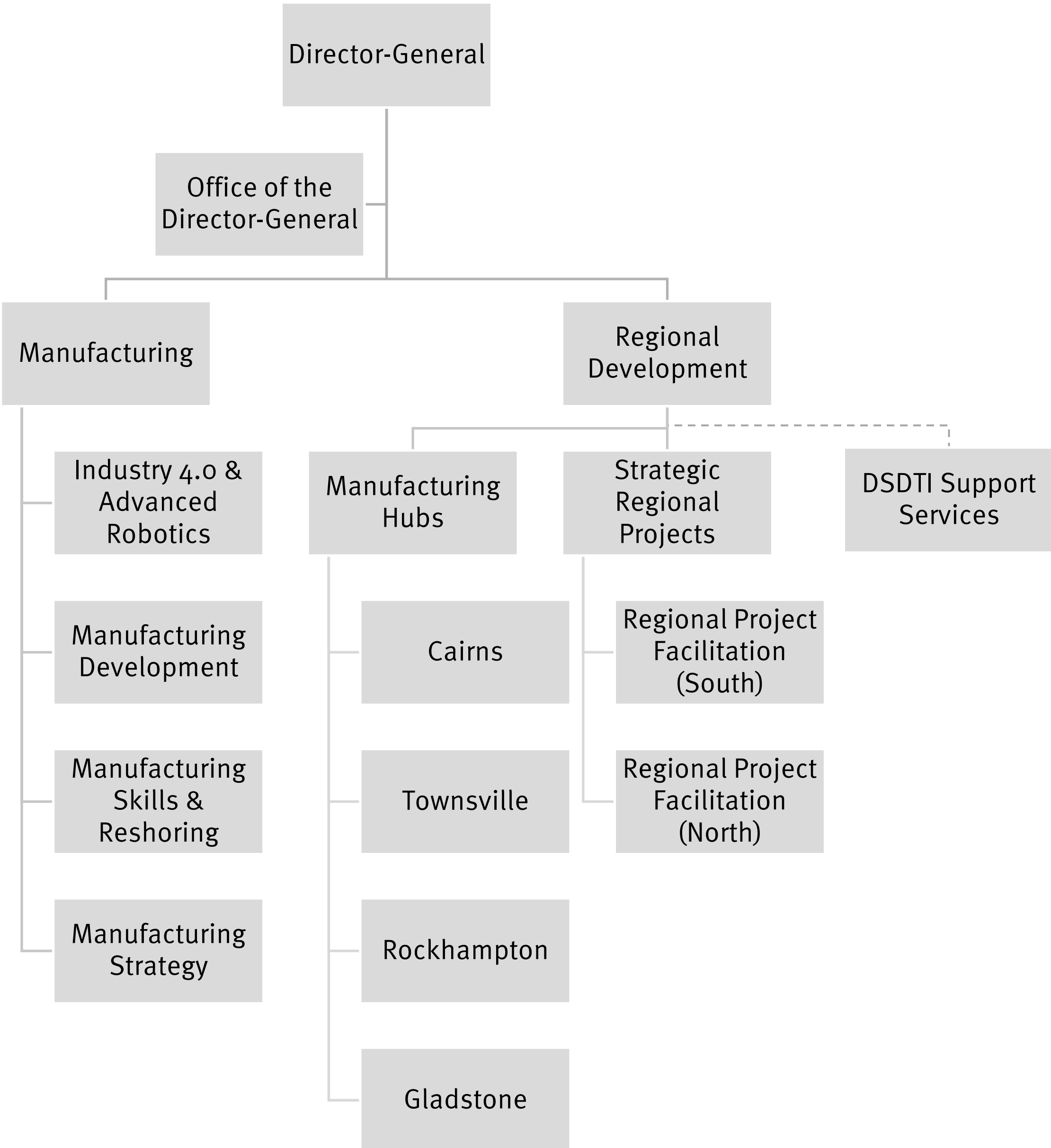
Total assets as at 30 June 2020 are $142.916 million. Total assets decreased by $1,215.269 million in 2019–2020 predominantly due to functions being transferred out as a result of the May 2020 machinery of government changes.

Total liabilities as at 30 June 2020 are $129.025 million. Total liabilities decreased by $329.385 million in 2019–2020 predominantly due to functions being transferred out as a result of the May 2020 machinery of government changes.

GOVERNANCE AND EXECUTIVE

Our structure

Figure 4: DRDM organisational structure as at 30 June 2020



Our services

Regional Development

Regional Development division leads strategy development and implementation to support the growth of regional manufacturing through regional manufacturing hubs.

Queensland has several distinct regions, each with its own character and offering something unique. Each region has advantages in key industries with significant potential to attract new investment, expand business and drive their economies forward.

Strong business and employment opportunities are present in many relatively large and economically diversified regional centres across Queensland.

A total of $30 million has been invested into regional Manufacturing Hubs in Cairns, Townsville and Rockhampton and the new hub that was established in Gladstone in June 2020. Each hub will provide a place for local manufacturing businesses to receive expert advice and support to transition to advanced manufacturing through world-leading technologies.

The hubs have strong links with local universities, schools and TAFE Queensland to develop a workforce with strong skills in STEM.

The division manages the $13.5 million Manufacturing Hubs Grant Program to assist eligible businesses build the advanced manufacturing capability of the Cairns, Townsville, Central Queensland and Gladstone regions.

This is an opportunity for manufacturers to become more productive and create the jobs of the future through:

- technology adoption
- skills and training
- business development
- advanced robotics for manufacturing hub services.

Manufacturing

The Manufacturing division leads strategies and initiatives to position Queensland as a leader in advanced manufacturing technologies, products, systems and services. The division also supports small-to-medium manufacturers through the MIQ program.

By 2026, Queensland will be an international market leader in the delivery of advanced manufacturing technologies, systems, products and services that are innovative, sustainable, and embedded in local and global supply chains.

Consistent with the Advance Queensland initiative, the Queensland Government is committed to supporting the state's manufacturing industry, which is a major contributor to jobs and the economy.

We recognise the importance of the manufacturing industry to the state’s continued growth, and that our manufacturers operate in a dynamic and rapidly changing environment. Manufacturing matters to Queensland.

We also lead the advancement of Queensland’s manufacturing skills. Industry 4.0 is changing manufacturing in Queensland to an advanced state. The integration of new technologies, digitalisation, nanoelectronics, robotics and innovative production processes and systems is taking our manufacturing industry to a new level and will create exciting career pathways and opportunities.

We want Queenslanders to take advantage of the rewarding opportunities a career in manufacturing offers and we want managers and leaders to invest in their people to help develop the manufacturers, engineers, scientists and technicians of tomorrow.

Our *Skills Implementation Plan for Advanced Manufacturing* (Skills Plan) has been developed to support manufacturers in their transition to advanced manufacturing and create highly skilled workforces.

The Skills Plan also addresses the 10 Priority Action Areas in Jobs Queensland's *Advancing Manufacturing Skills* strategy and builds on the Queensland Government's overarching skills strategy *Skills for Queensland – Great training for quality jobs*.

A highly skilled workforce is vital to state manufacturing's future growth and diversifying Queensland's economy.

The use of robotics, leading-edge technologies, autonomous systems and new processes requires knowledge and skills in complex problem solving, design-led thinking and the use of knowledge and skills in STEM.

MIQ is a Queensland Government initiative supporting small-to-medium manufacturers to increase international competitiveness, productivity and innovation via the adoption of new technologies and generating high-skilled jobs for the future.

Since 2017, MIQ has undertaken three rounds supporting 85 advanced manufacturing projects. These projects will support over 1100 new jobs over the next five years and approximately $100 million in private sector investment.

Around 40 per cent of the projects are being delivered in regional Queensland, creating approximately 385 jobs over the next five years.

Our leaders

Our senior leaders are committed to building a strong and agile department.

The following people were members of the Executive Leadership Team during 2019–2020.

Table 5: Executive Leadership Team as at 30 June 2020

Frankie Carroll **Director-General**	Frankie Carroll was appointed Director-General of the Department of Regional Development and Manufacturing in May 2020. Prior to this, he was Under Treasurer from February 2019, and Director-General of the Department of Infrastructure, Local Government and Planning between 2015 and 2018. Frankie was also Chief Executive Officer of the Queensland Reconstruction Authority, responsible for delivering a reconstruction program worth more than $13 billion—the largest program of its type in the nation's history. Frankie has more than 30 years' experience in both the public and private sector. He also brings extensive executive experience in major project delivery in the water, construction, energy and financial services industries. As Chief Executive Officer of Queensland Water Infrastructure, he delivered major water storage facilities to South East Queensland. Before joining the public service in Queensland, he worked for many years both in Australia and internationally in the financial services sector. Frankie is a Chartered Accountant (Australia and New Zealand), a Graduate of the Australian Institute of Company Directors, a Fellow of the Association of Chartered Certified Accountants and a Member of the Association of the Institute of Taxation in Ireland. He has also served on a number of key boards including Economic Development Queensland, Building Queensland and Trade and Investment Queensland.

Michael Glover **Deputy Director-General, Regions**	Michael was formerly Chief Financial Officer for the Cross River Rail Delivery Authority. Before this, he was the Acting Deputy Director-General for the Gold Coast Commonwealth Games and Chief Financial Officer/Chief Operations Officer for the delivery of Airport Link Tunnel in Brisbane. Both Cross River Rail Delivery Authority and Airport Link are transformative transport and infrastructure projects. Michael has more than 30 years' experience as a senior executive in the commercial and government sectors, within infrastructure and corporate services. With a Bachelor of Commerce and an Executive Masters Business Administration, he also has extensive experience in boards and board sub-committees, including the management of audit and risk committees. Michael is a graduate of the Australian Institute of Company Directors, Fellow to Australian Institute of Management, Australian Institute of Company Secretaries and Fellow Australian Institute of Internal Auditors.
John Lewis **Acting Deputy Director-General, Manufacturing**	John has held senior executive roles providing leadership and coordination of government-led initiatives, which support economic growth through industry development and attraction. He leads the implementation of Queensland's Advanced Manufacturing Roadmap, delivered in partnership with industry, to support the state's manufacturing firms adopt Industry 4.0 technologies and practices. Throughout John's 30-year public sector career, he has adopted a strategic, goal-focused approach to policy development that results in economic, regional development and community benefit. John is particularly interested in industry development initiatives that generate opportunities for young people to access new and exciting career paths.

Corporate governance

The department's corporate governance arrangements demonstrate our commitment to the fundamental principles of good governance, performance and accountability practices, which guide the department in achieving our strategic goals and operational objectives effectively, efficiently and ethically.

The Corporate Governance Framework outlines the key governance practices that underpin the department's corporate governance. These practices ensure the department conforms to applicable legislative compliance and best-practice management standards to provide ongoing confidence in the delivery and integrity of our services. This includes compliance with our obligations under the *Financial Accountability Act 2009* (FAA), *Financial and Performance Management Standard 2019* (FPMS) and *Public Sector Ethics Act 1994*.

During 2019–2020, the department's corporate delegations (including those for human resources, finance, grants and procurement) underwent a review to ensure the department's business operations are supported, that delegated functions and powers are clear, and that business needs are balanced with risk and enable decisions to be made at the most appropriate levels of the department.

As a result of the May 2020 machinery of government changes, the department's corporate policies and procedures are being progressively reviewed to support legislative requirements and whole-of-government directives. Our corporate delegations will also be reviewed in 2020–2021 as part of our ongoing business improvement processes.

Human Rights

Actions undertaken by the department to further the objects of the *Human Rights Act 2019* (HR Act) – including reviews for compatibility with human rights – have been impacted as a result of COVID-19.

While relevant actions in 2020 have been different to what was anticipated, the department undertook significant work within the 2019–2020 period. This involved work in the lead-up to commencement of the HR Act, including:

- embedding our commitment to human rights in our strategic and workforce plans
- embedding human rights considerations in templates for Director-General and Minister decision briefs, together with a human rights impact assessment template
- conducting awareness raising within the department, including sharing information and resources on our intranet and through internal communications
- general awareness training via an online module for our staff
- face-to-face briefings and/or training for our senior leaders, policy and legislation staff to ensure awareness of our obligations to develop Statements of Compatibility for new Bills and Human Rights Certificates for new subordinate legislation
- engaging with our functional public entities to raise awareness of their obligations during the implementation phase of the HR Act
- completing a review of our legislation and regulations for compatibility with human rights
- ongoing review and incorporation of human rights considerations into our corporate and operational policies
- incorporating human rights into our complaint handling policies and procedures.

The May 2020 machinery of government changes provided the department the opportunity to build on existing human rights resources. Information available to our staff will be further developed to continue building understanding of departmental obligations under the HR Act, including making decisions that are compatible with relevant human rights and ongoing incorporation of human rights impact assessments in our decision-making processes.

Actions during COVID-19 relating to human rights

During COVID-19, the department played an important role in the government's efforts to protect and support Queenslanders with regard to sourcing opportunities for regional development and manufacturing.

In taking these actions and making these decisions, the department was mindful of its obligation to act compatibly with human rights by ensuring that any limitations on human rights were reasonable and justified. Actions taken and decisions made by the department included:

- suspended operations/services which could not be conducted in compliance with social distancing requirements
- ensured flexible responses so our services could continue despite social distancing requirements
- obtained supplies and requisitioned property to protect staff
- supported staff to establish and maintain flexible working arrangements.

Human rights complaints

From 1 January 2020, individuals have a right under the HR Act to make a complaint if they believe their human rights have been limited by a public entity. Complaints are only able to be made for alleged breaches that occur after this date.

No human rights complaints were received by the department for the period of 1 January to 30 June 2020.

Our partners

Portfolio bodies

The portfolio of the Minister for Regional Development and Manufacturing includes the GasFields Commission Queensland (the Commission).

The Commission is an independent statutory body established under the *GasFields Commission Act 2013* to manage and improve sustainable coexistence among rural landholders, regional communities and the onshore gas industry. The Commission works to educate, engage and inform all Queenslanders on the state's natural gas industry.

The department collaborates with the Commission to ensure that all government and industry priorities are delivered.

The Commission's annual report is available online: www.gasfieldscommissionqld.org.au.

Information about other government bodies within the Minister's portfolio is provided in Appendix 2.

Corporate services

DSDTI provides the following services to DRDM:

- Key regional functions and activities
- Business support
- Executive services
- Legislative support (including support required in the Legislative Assembly)
- Stakeholder engagement and communications
- Corporate.

Boards and committees

Under section 98 of the *Public Service Act 2008*, the Director-General has overall responsibility for the management, governance and operation of the department.

The department's governance committees meet regularly and assist the Director-General and senior executives in decision-making and ensure the department's goals and objectives are met.

Executive Leadership Team

The Executive Leadership Team (ELT) is an advisory committee that assists the Director-General (as the accountable officer) in managing the department's strategic direction and day-to-day operations.

Specifically, the ELT:

- provides leadership on emerging and/or contentious issues requiring departmental action
- sets departmental strategy and oversees the department's forward policy agenda
- allows for collective consideration of significant issues affecting the department's operations
- develops departmental budget strategy and approves changes in line with emerging priorities
- provides direction for appropriate management of risks escalated to ELT
- considers new project proposals, particularly with respect to:
    - resourcing impacts
    - project alignment with the department's strategic direction
    - stakeholder assistance and interest in the project
- provides a forum for presentations by other government agencies or bodies to meet with the ELT.

The ELT meets fortnightly unless otherwise determined by the Director-General. Attendees include invited guests/observers based on content expertise.

The ELT has established and is supported by governance committees (and their sub-committees). These committees assist the ELT in exercising its authority, including monitoring the performance of the department to ensure progress is made towards business objectives, within the department's enterprise risk management framework.

These committees are:

- Audit and Risk Management Committee (ARMC)
- Finance and Asset Management Committee (FAMC)
- Information Steering Committee (ISC), jointly with DSDTI, supported by the Solutions Design Authority (an ISC sub-committee)
- People and Culture Committee (PCC), supported by the Consultative Committee and Work Health and Safety (WHS) Committee.

Temporary committees or sub-committees may be established from time-to-time to respond to particular areas of focus, such as major projects, disasters, a pandemic or key government initiatives.

Audit and Risk Management Committee

The ARMC was established pursuant to the FPMS. The objective of the ARMC is to provide independent advice and assistance on the department's risks, control and compliance frameworks and external accountability responsibilities, as prescribed in legislation and standards.

The ARMC Charter establishes the authority and responsibilities of the committee and was prepared with reference to:

- relevant provisions of the FAA and FPMS
- *Queensland Treasury Audit Committee Guidelines—Improving Accountability and Performance*.

The ARMC does not replace or replicate established line management responsibilities and delegations, the responsibilities of other executive management groups or committees within the department, or the reporting lines and responsibilities of functions associated with risk management, internal audit or external audit.

Key ARMC achievements during 2019–2020 included:

- considering the former DSDMIP annual report for the year ended 30 June 2019
- reviewing and endorsing the former DSDMIP financial statements for the year ended 30 June 2019
- reviewing the DRDM Internal Audit Strategic Plan 2020–2023 and Annual Audit Plan 2020–2021
- reviewing the DRDM ARMC Charter and the DRDM Internal Audit Charter 2020–2021
- receiving regular reports on Internal Audit activities for the former DSDMIP, including audits and reviews completed as part of the Internal Audit Annual Audit Plan 2019–2020
- reviewing and considering the Queensland Audit Office (QAO) Strategic Audit Plan and the Client Strategy for DRDM, including from the former DSDMIP
- considering the scheduling, status, findings and audit recommendations of QAO financial and performance audits for DRDM, including from the former DSDMIP
- receiving regular reports on the implementation status of internal and external audit recommendations for DRDM, including from the former DSDMIP
- receiving regular reports on the department's risk status for DRDM, including from the former DSDMIP, and enhancing management's oversight of risk management.

During 2019–2020, the ARMC considers it has observed the terms of its Charter and has had due regard to the *Audit Committee Guidelines: Improving Accountability and Performance* issued by Queensland Treasury in June 2012.

The ARMC convened four times during 2019–2020: August 2019, November 2019, March 2020 (for the former DSDMIP) and June 2020 (for DRDM).

ARMC membership and remuneration details as at 30 June 2020 for the renamed DRDM, including from the former DSDMIP, are as follows:

- Mr Ian Rodin, Chair and independent external member, appointed 8 October 2018 and confirmed June 2020 as continuing, remuneration $10,462 (exclusive GST); attended four meetings
- Ms Marita Corbett, Partner, BDO Australia, independent external member, re-appointed 28 February 2020 and confirmed June 2020 as continuing, remuneration $7000 (exclusive GST); attended four meetings
- Mr Colin Cassidy, A/Chief Executive Officer GasFields Commission Queensland, external member, appointed 22 February 2019 and confirmed June 2020 as continuing, nil remuneration; attended three meetings
- Mr Michael Farrell, DSDTI, External Member, appointed 27 February 2017, completion of tenure 27 February 2020, nil remuneration; attended two meetings
- Mr Jason Camden, A/General Manager, Economic Development Queensland, DSDTI, previously Internal Member from the former DSDMIP, appointed 1 June 2018, resigned 29 May 2020, nil remuneration; attended two meetings
- Mr Michael Glover, Deputy Director-General, Regions, DRDM, Internal Member, appointed 8 June 2020, nil remuneration; attended one meeting.

Finance and Asset Management Committee

The FAMC is a strategy committee focused on strategic resource decisions including budget development, financial management and controls, emerging risks to funding, reporting, assets and resourcing.

The FAMC provides strategic advice, insight and assurance to ELT.

Specifically, the FAMC:

- identifies budget and financial issues and oversees departmental budget processes (such as Cabinet Budget Review Committee submissions and State Budget Papers), including referral of unresolved issues to the ELT and/or Director-General for decision
- implements strategies and methodologies to improve resource usage that aligns with the department's objectives
- monitors the business performance and resource usage of the department through the monthly financial report and escalates significant risks to achieving departmental objectives to ELT
- assists the Chief Finance Officer (CFO) to be able to certify internal controls and financial statements
- manages the department's assets and liabilities through review of the Total Asset Management Plan annually, and quarterly monitoring through the Capital Performance Report and Financial Performance Report
- examines procurement issues and trends
- manages funded full-time equivalents (FTE) (including monitoring of unfunded positions).

The FAMC meets a minimum of five times per year, or as otherwise determined by the Chair. Attendees include invited guests/observers based on content expertise, including the department's CFO.

Information Steering Committee

The ISC is a strategy committee held jointly with DSDTI, focusing on the strategic management of information and technology resources to ensure that new investments support the department's strategic plan, and security oversight.

The ISC:

- ensures decisions and actions are in accordance with legislation and policy, transparent and evidence-based, equitable in outcome and sustained through integrity
- develops the department's information management (IM) and information and communication technology (ICT) strategy and related roadmap
- directs the priority and sequence of programs and projects to ensure the ICT and IM portfolio supports departmental and government strategy, policy and objectives for the community
- ensures the ICT and IM investment portfolio is evaluated and monitored using departmental and government investment, project, procurement, architecture, policy and risk frameworks, assurance and governance process
- makes and applies financial and resource decisions for the ICT and IM portfolio within budgetary and resource allocations
- develops and manages portfolio and project reporting and analysis
- ensures risks are identified, managed and independently audited
- develops and manages policy, procedures and technology to ensure the security of data, information assets and related ICT and IM systems.

The ISC meets monthly or as otherwise determined by the Chair. Attendees include invited guests/observers based on content expertise.

People and Culture Committee

PCC is a strategic committee focusing on ensuring the department has a high performing, valued, agile and skilled workforce with a culture that supports mobility.

Specifically, PCC:

- provides oversight on the strategic direction and management of human resources including facilitating the sharing of resources and identifying when resources will become available
- aims to ensure the department's work is conducted ethically and that the workforce is flexible, agile and capable of meeting the needs of a rapidly changing environment

- acts to review and make decisions regarding all matters relating to the attraction, recruitment and utilisation of people in a way that delivers on the strategic priorities of the department.

PCC meets quarterly unless other otherwise determined by the Chair. Attendees may include invited guests/observers based on content expertise.

Consultative Committee

The department's Consultative Committee is a sub-committee of the PCC that provides a mechanism for employee representation in matters that impact them – including organisational change, employment security and collective bargaining of employment conditions and entitlements.

The committee is comprised of members from the department and Together Queensland Industrial Union of Employees that meet on a quarterly basis to promote meaningful consultation between the department's management and the union.

Consultation was undertaken with the Together Union in 2019 to discuss a number of business unit realignments. The impacts on employees arising from these organisational realignments were minimal. The changes focused on enhancing alignment with the department's strategic objectives and business operations.

Work Health and Safety Committee

The WHS is also a sub-committee of the PCC, providing a consultative forum where WHS issues can be identified and discussed, and their solutions identified – including recommendations for adoption by senior management.

The committee has been integral in addressing key WHS matters and recommending corrective action where necessary.

Risk management

The department's risk portfolio is managed in accordance with the FAA and aligns with the international standard for risk management (*ISO 31000:2018 Risk Management – Guidelines*) and Queensland Treasury's Risk management guidelines.

Our integrated Enterprise Risk Management (ERM) framework supports the department's success in practicing good governance and achieving its strategic and business objectives, with a focus on consistency and the maintenance of effective controls. Our risk appetite is reflective of our vision, values, objectives and resources and supports accountability obligations and good decision-making practices.

The department's strategic plan identifies overarching risks and opportunities, while the divisions are responsible for identifying and managing enterprise and operational business risk, including program and project risk.

To support the achievement of strategic objectives, risk management is embedded throughout the department through proactive executive leadership championing identification, assessment and treatment of risks and opportunities, including fraud and corruption risks.

This year, the department has focused on developing a strong risk culture through interactive risk maturity activities with executive leadership, management and operational staff, including:

- strategic and operational planning
- day-to-day business risk management practices and reporting
- program and project risk management
- fraud and corruption prevention
- work health and safety
- information security
- business continuity and disaster preparedness.

A risk maturity self-assessment process was undertaken in Quarter 1 2019–2020 as part of planned risk maturity activities. This process was informed by an 11-question survey framed on the QAO risk management maturity model and risk maturity levels. The results of the survey identified the department as having a risk maturity level that sits between ‘developing’ and ‘established’, and has informed the ERM maturity strategy approved by ELT on 19 February 2020, which aims to achieve an ‘integrated’ level of risk maturity by 2023.

Internal audit

Pursuant to section 29 of the FPMS, the department has established an independent Internal Audit function.

Through its assurance activities, Internal Audit aids the accountable officer in the discharge of that officer’s functions and duties under the relevant provisions of the FAA and FPMS.

Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve the department’s operations and assists the department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit operates under an approved Internal Audit Charter that sets the purpose, authority and responsibilities of the department’s internal audit function. It has been prepared with reference to:

- the relevant provisions of the FAA and the FPMS
- the Institute of Internal Auditors International Professional Practice Framework
- the Queensland Treasury *Audit Committee Guidelines: Improving Accountability and Performance*
- better practice guidance issued by the Australian National Audit Office.

The scope of Internal Audit coverage for 2019–2020 is set out in the approved former DSDMIP Internal Audit Strategic Plan 2019–2022 and Annual Audit Plan 2019–2020, after accounting for functions transferred out of the department due to the May 2020 machinery of government changes.

This plan followed a risk-based methodology, balancing emerging issues against reviews of core business and transactional processes. Auditable areas were identified based on consultation and assurance mapping.

Achievements of Internal Audit for the department during 2019–2020 included:

- developing and delivering a risk-based strategic and annual plan of audits covering assurance about, and improving effectiveness of, governance, financial controls, systems, project management, operations, compliance and risk management
- providing advisory services to the department in order to improve risk management, control and governance, and business operations
- completing audits and reviews as detailed in the former DSDMIP Annual Audit Plan 2019–2020 and as directed by the Director-General and ARMC, resulting in recommendations for improving governance processes and business operations
- assessing the effectiveness and efficiency of key departmental financial and operating systems, reporting processes and activities
- proactively following-up with management regarding their timely implementation of internal and external audit recommendations
- managing a co-sourced service delivery model for the provision of an effective internal audit function
- managing the transition of audit, assurance and governance activities, and the respective ARMC business, for functions transferred out of the department through

the May 2020 machinery of government changes to respective departments, in collaboration with internal audit functions for the renamed DSDTI and Queensland Treasury.

External assurance

In addition to an annual audit of the department's financial statements, the Auditor-General conducted performance audits and whole-of-government audits, in accordance with the QAO Strategic Audit Plan and advice to the Director-General.

QAO audit reports tabled in the Legislative Assembly during 2019–2020 directly applicable to the department included:

- *Auditor-General's Report 3: 2019–2020 Managing Cyber Security Risks*, tabled in parliament on 1 October 2019, which considered whether entities effectively manage their cyber security risks. The QAO recommended that all departments self-assess against the findings of the report and where relevant implement identified measures to improve cyber-security risk management.
- *Auditor-General's Report 10: 2019–2020 Effectiveness of the State Penalties Enforcement Registry ICT reform*, tabled in parliament on 6 February 2020, which considered the effectiveness of the governance of the reform program's ICT component. The QAO recommended that DHPW require all departments to publish data on the digital projects dashboard and also provide more detailed reporting on projects ending prematurely to the Office of Assurance and Investment.
- *Auditor-General's Report 12: 2019–2020 Managing Coal Seam Gas Activities,* tabled in parliament on 18 February 2020, which explored the performance of the regulators and the commission in their role to provide oversight to the regulatory framework, facilitate coexistence and provide advice to government, industry and stakeholders.

  The QAO recommended the former DSDMIP determine the scope, future function and role of the GasFields Commission Queensland, taking into consideration industry maturity and consultation with the commission, regulators and industry.
- *Auditor-General's Report 8: 2019–2020*, *Queensland state government entities: 2018–2019 results of financial audits*, tabled in parliament on 27 November 2019.

Recommendations addressed to the department for the former DSDMIP were accepted and management plans are in place to implement those recommendations; the recommendations of Report No. 3 are complete, recommendations of Report No. 12 are in progress and due for completion by 31 December 2020. Progress in implementing all recommendations is monitored and followed-up by Internal Audit and reported to the ARMC for review and noting.

Information management

Continual improvements to information security and associated security protocols have been a priority during 2019–2020. Key initiatives included:

- implementation of stage 1 of an information Security Management System (ISMS) compliant with ISO27001:2013, as a governance framework for assessing information security and business systems risk
- incorporation of the ISMS risk framework as part of the departmental governance and risk frameworks
- improved methodologies for assessing business information risk.

Records management

The department's records are created and managed in a segregated secure level of DSDTI's electronic Document Records Management System (eDRMS). The eDRMS is a compliant recordkeeping system that aligns with the requirements of the *Public Records Act*

2002, and whole-of-government recordkeeping governance policies and guidelines issued by the Queensland State Archivist.

The department uses the eDRMS as its prime repository for all electronic and physical administrative and core business records which are captured, created, and managed in order to maintain a corporate memory of transactional and activity-based transparent and evidence-based decisions.

The department is committed to a 'Born Digital, Stay Digital' strategy achieved through embracing electronic business processes and internal electronic approvals, and a business preference for creating, sending and receiving electronic records where possible.

Retention of permanent and authorised disposal of administrative records under the whole-of-government general administrative schedule – QDAN 415 v.4 are managed under the SLA per approved delegations.

Records in the eDRMS and physical records at offsite storage are tagged with retention review dates to ensure permanent records are identified and managed and records of a temporary or short-term value can be assessed and processed through established approved disposal processes and controls.

OUR PEOPLE

Workforce profile

DRDM was formed in May 2020, following machinery of government changes. DRDM's workforce was allocated from the former DSDMIP, with the department having 41 FTE employees.

There is no equivalent comparable separation rate from 2018–2019, due to the formation of the new department in May 2020.

Workforce planning and performance

The Workforce Plan 2019–2023 sets out our core workforce objectives and initiatives. It ensures that we are appropriately resourced with the right people with the right capabilities in the right job at the right time. This helps us:

- deliver our cultural vision
- adapt to changing workplace conditions
- link to government workplace initiatives
- deliver against future priorities.

Our workforce also supports our strategy on our most important asset: our people. The plan addresses four key areas in line with the Public Service Commission's 10-Year Human Capital Outlook:

- talent acquisition and retention
- leadership and capability development
- new ways of working
- focusing on our culture.

In line with the department's governance framework, the PCC provides oversight of the Workforce Plan.

Successful implementation of the plan is achieved through operational and business planning frameworks and processes, and is monitored through performance indicators.

Ethics and code of conduct

To support the department's ethics framework and a culture of accountability and transparency, DSDTI's ethics team provides specialist advice and services to DRDM on:

- customer, employee, privacy and human rights complaints, and complaints related to corrupt conduct
- public interest disclosures
- declarations and conflicts of interests
- gifts and benefits
- contact with lobbyists
- fraud and corruption prevention.

New departmental employees receive information about the Code of Conduct for the Queensland Public Service (Code of Conduct) at induction, and all employees are required to complete online Code of Conduct and ethical decision-making training annually. Employees have access to a range of online ethical training videos, such as conflicts of interest, gifts and benefits and complaints. Ethics also provides tailored information sessions to departmental units on request.

From 1 July 2019 to 10 May 2020, the former DSDMIP business units that now form DRDM (as the re-named department) received five customer complaints, with none resulting in further action. From 11 May 2020 to 30 June 2020, DRDM received no customer complaints.

Leadership and capability

The department has continued to invest in leadership and capability throughout 2019–2020. A key project was to establish a central group of participants to engage in the whole-of-sector Lead4QLD program.

The program assesses participants' competency against the Leadership Competencies for Queensland framework and provides them with information about key strengths and development areas in order to guide their career activities.

In addition, the department continued a program of performance and development management using a conversational approach to develop rapport between leaders and employees. The 70-20-10 model (70 per cent experiential, 20 per cent social and 10 per cent formal) for learning was then used as a way to assist our people to work on identified development areas.

Formal development programs on offer to our people during the year included:

- online learning modules, videos and interactions via a learning management system
- short-burst lunch box style talks and/or panel discussions with field experts or internal leaders with knowledge to share
- whole-of-sector leadership development programs, masterclasses and seminars.

Culture

The department's leadership group continued to work on organisational culture with a focus on promoting behaviours aligned to the Queensland public service values.

Our people were invited to comment on, and helped to set, culture via the 2019 Working for Queensland Employee Opinion Survey and associated workshops/discussions of the results.

The result of this feedback and discussion provided the department with an opportunity to focus on and improve the following key areas:

- workload and health
- learning and development
- organisational fairness.

Efforts to improve perceptions of organisational fairness led to a range of activities supporting diversity and inclusion. The department continues to strive for an inclusive workplace culture and a workforce that represents the diversity of the Queensland population.

In early 2019, the department received accreditation status with White Ribbon Australia. The 2019–2020 year saw a range of activities aimed at preventing domestic and family violence and supporting employees who may be impacted. In May 2020, the department actively participated in Domestic and Family Violence Prevention Month.

Industrial and employee relations framework

The *State Government Entities Certified Agreement 2015* (Core Agreement 2015) and the Queensland Public Service Officers and Other Employees Award – State 2015 provisions apply to all employees except for Senior Executive Service and Senior Officers.

The department has a suite of policies which outline the terms and conditions of employment, entitlements and remuneration applicable to all employees. Advice and guidance are also provided to managers to ensure consistent application of these policies.

The department actively undertakes temporary employment reviews in accordance with statutory requirements. These reviews are conducted where temporary employees have been continuously employed for two years in the same role. During 2019–2020, the department converted nine employees from temporary to permanent employment status.

Health, safety and wellbeing

Health, safety and wellbeing has continued to be a focus for the department, especially given employee feedback on workload and health through the employee opinion survey.

Work has been undertaken to realign and enhance the department's WHS framework and governance arrangements. This includes the following key initiatives:

- a proactive staff wellbeing program, including physical and psychological awareness promotions, a mental health forum and flu vaccinations
- engagement of a new service provider under the Workplace Health Services Standing Offer Arrangement for the provision of Employee Assistance Program (EAP) services
- review and update of relevant policies, templates and guidelines which support continued adherence to obligations under WHS legislative provisions
- formulation of an online training program on WHS for managers
- review of the department's Pandemic Response Plan to align with whole-of-government strategies, disaster management and governance arrangements.

The department offers employees and their immediate family members with an independent, confidential and professional counselling and coaching service through the EAP.

Talent management

The department relies on its people and their capability to do its work. This makes the recruitment and retention of people of paramount importance.

In September 2019, over 60 per cent of staff indicated they would recommend working for the department and felt proud to say where they worked.

While these are positive results, the department continued to work on attracting talent and ensuring retention of key staff through offering competitive remuneration and benefits as well as opportunities for our people to develop, providing a positive workplace culture, flexible working arrangements and recognising their achievements.

Flexible working

Providing our people with opportunities to work flexibly has been an ongoing focus of the department. The department reviewed its flexible work arrangements policy, guideline and templates that support applications from employees to work flexibly. This has ensured compliance with legislative requirements and facilitated the open and prompt consideration of flexible work applications.

Additional resources were made available online and senior leadership forums were conducted in support of flexible work discussions and arrangements. This is particularly important during the COVID-19 pandemic.

Arrangements available to our people include flexible hours of work, various leave types, a compressed working week, part-time work, job sharing and telecommuting.

In addition to the benefit of these arrangements for our employees, the department has extended flexible approaches to managing and prioritising work, such as engaging people in cross-departmental and inter-departmental projects.

The department continues to support and encourage employees to work flexibly in order to achieve a balance between work and family commitments.

Early retirement, redundancy and retrenchment

From 1 July 2019 to 10 May 2020, no redundancy, voluntary medical retirement or early retirement packages were offered by the former DSDMIP. From 11 May 2020 to 30 June 2020, no redundancy, voluntary medical retirement or early retirement packages were offered by DRDM.

APPENDIX 1: PROGRESS AGAINST SERVICE STANDARDS

The following section provides details of the department's performance against the *2019–2020 Budget Paper No. 5 – Service Delivery Statements* (SDS) as at 30 June 2020, including results against annual performance targets.

The department's service structure for 2019–2020 as at 30 June 2020 is as follows.

Service area	Service area objective
Develop the economy	Create jobs that provide enduring economic benefit by delivering regional economic development opportunities and supporting the manufacturing industry in Queensland.

Table 6: DRDM's service structure

Develop the economy[1]	*2019–2020 Target/Est*	*2019–2020 Est Actual*
Service standards *Effectiveness measures* Value of capital investment enabled through project facilitation[2]	New measure	New measure
Estimated number of jobs enabled through project facilitation[2,3]	New measure	New measure
Efficiency measure Capital investment enabled per dollar spent on project facilitation[2,4]	New measure	New measure

Notes:

1. The service area has been renamed from 'Driving enterprise development, economic growth and job creation' in the former DSDMIP 2019–2020 SDS to better reflect the department's broader function in developing the Queensland economy. This service area also appears in DSDTI's performance statement as there is a joint responsibility in the delivery of some of the functions of state development and manufacturing across the two departments. Those functions that are the responsibility of DRDM are being performed by DSDTI.
2. This is a new service standard for the 2019–2020 SDS due to the change in the calculation methodology which now includes projects that meet the facilitation definition. This service standard also appears in the DSDTI performance statement as there is a joint responsibility in the delivery of some of the functions of state development and manufacturing across the two departments. Those functions that are the responsibility of DRDM are being performed by DSDTI. The programs that form part of the service standard are part of both departments and include the Advance Queensland Industry Attraction Fund, Jobs and Regional Growth Fund, Made in Queensland Program, the Industry Capability Network contract, Project Facilitation including Coordinator-General projects, Resource Recovery Industry Development Fund and Exclusive Transactions. Capital investment and jobs enabled will only be reported once in the financial year that a contract/agreement is signed for grant programs and when a significant commitment is made for private sector projects (for example when a project moves to detailed design/preconstruction phase). This methodology is designed to emphasise the capital investment and jobs enabled by facilitated projects that are committed to be realised by the project proponents.
3. The number of jobs reported in this measure refers to the number of jobs expected to be enabled by all in-scope projects over their entire project life, even where these jobs will occur over several financial years. Jobs enabled are reported once in the year the contract is executed.
4. This service standard captures the capital investment on Queensland projects being facilitated for every dollar invested in annual staff expenses (salaries and on-costs) which relate to the delivery of these projects.

Discontinued measures

Performance measures included in the *2019–2020 Service Delivery Statements* that have been discontinued or replaced are reported in the following table with estimated actual results.

Department of State Development, Manufacturing, Infrastructure and Planning	2019–2020 Target/Est	2019–2020 Est Actual
Service area: Driving enterprise development, economic growth and job creation		
Effectiveness measures Value of capital investment enabled through industry facilitation[1,2]	$600 million	$2.445 billion
Estimated number of jobs enabled through industry facilitation[1,2]	1980	2476
Efficiency measure Capital investment enabled per dollar spent on industry facilitation[1,2]	$64.06	$323.00

Notes:

1. This service standard has been discontinued and reinstated as a new service standard in the 'Develop the Economy' service area due to the change in the calculation methodology which now includes projects that meet the facilitation definition. This service standard will not be reported elsewhere.
2. The variance between the 2019–2020 target/estimate and the 2019–2020 actual is as a result of the addition of high value projects that were not anticipated at the time of the formulation of the 2019–2020 target/estimate.

Appendix 2: Government bodies relevant to DRDM

In addition to the following government bodies, the portfolio of the Minister for Regional Development and Manufacturing includes GasFields Commission Queensland. Further information about the Commission's government bodies is available in their annual report.

<table>
<tr><th colspan="6">Gladstone Foundation Board of Advice</th></tr>
<tr><td>Act or instrument</td><td colspan="5">Trust Deed – Gladstone Foundation</td></tr>
<tr><td>Functions</td><td colspan="5">The purpose of the Gladstone Foundation (the foundation) is to provide a structured approach to address the social infrastructure needs of the people of the Gladstone region in an appropriate way, achieving the best return from all investments in the foundation for social infrastructure.</td></tr>
<tr><td>Achievements</td><td colspan="5">Key achievements for 2019–2020 include:
• Opening of the South End Progress Association Community Centre in February 2020. Funding received from Grant Round five with approval in April 2018.
• Opening of the Central Queensland University Health and Wellness Education Facility in February 2020. Funding received from Grant Round four with approval in December 2016.
• Projects currently underway with funding from the foundation:
- the Salvation Army Integrated Community Facility
- Calliope Rural Fire Brigade Facility Upgrade
- Boyne Tannum RSL Sub-Branch Upgrade to Community Hall Rest Rooms and Retreat
- St Vincent de Paul Society Redevelopment Warehouse and Family Support Centre
- Gladstone RSL Sub-Branch Anzac Memorial Bowls and Citizens Club Renovation Project.
• Grant Round seven conducted with eight applications received, of which four were recommended to the Public Trustee for approval. These included:
- Endeavour Foundation upgrade to document destruction facility
- Gladstone Central Committee on the Ageing interior refurbishment of Port Curtis Place – Senior Citizens Centre
- Gidarjil Development for Airberth System to keep vessels out of the Water.
• The fourth application is currently still undertaking due diligence.</td></tr>
<tr><td>Financial reporting</td><td colspan="5">Queensland Audit Office prepares annual general-purpose statements for the foundation based on financial transactions conducted within the respective financial year.

The general-purpose statement is used to provide the financial information annually, to the Australian Charities and Charities and Not-For-Profits Commission.</td></tr>
<tr><td colspan="6">Remuneration:</td></tr>
<tr><td>Position</td><td>Name</td><td>Meetings attended</td><td>Approved annual, sessional or daily fee</td><td>Approved sub-committee fees if applicable</td><td>Actual fees received</td></tr>
<tr><td>Chair</td><td>Timothy Griffin</td><td>4</td><td>$6000</td><td>N/A</td><td>$6000 per annum</td></tr>
<tr><td>Member</td><td>Department of Regional Development and Manufacturing Regional Director</td><td>4</td><td>Not entitled to receive annual</td><td>N/A</td><td>N/A</td></tr>
</table>

			sitting fees (Ex-officio)		
Member	Gladstone Regional Council Mayor	2	Not entitled to receive annual sitting fees (Ex-officio)	N/A	N/A
Member	Maxine Brushe	3	$3000	N/A	Chose not to claim
Member	Karen Leinster	4	$3000	N/A	Chose not to claim
Member	Bob McCosker	3	$3000	N/A	Chose not to claim
Member	Robert Gibb	3	$3000	N/A	Chose not to claim
Member	Veronica Laverick	3	$3000	N/A	Chose not to claim
No. scheduled meetings/sessions	The foundation held four Board of Advice meetings in 2019–2020.				
Total out-of-pocket expenses	$3164.31 reimbursed to the Chair for 2019–2020.				

Manufacturing Ministerial Council					
Act or instrument	Government body				
Functions	To ensure the Queensland manufacturing sector continues to grow and become globally competitive, the government has broadened engagement on the future direction of advanced manufacturing through the Manufacturing Ministerial Council, chaired by the Minister for Regional Development and Manufacturing.				
Achievements	Key achievements for 2019–2020 include contribution to the following initiatives under the *Queensland Advanced Manufacturing 10-Year Roadmap and Action Plan*: • Advanced Robotics for Manufacturing Hub • Skills Implementation Plan for Advanced Manufacturing • Beef Processing Strategy • Craft Brewing Strategy • Rail Manufacturing Strategy for Queensland. The Manufacturing Ministerial Council has further contributed to industry's COVID-19 response, recovery and rejuvenation.				
Financial reporting	Nil				
Remuneration:					
Position	Name	Meetings attended	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received
Chair	Minister for Regional Development and Manufacturing	2	N/A	N/A	N/A
Member	Christine Bridges-Taylor	2	N/A	N/A	N/A
Member	Peta-Maree Broadley	2	N/A	N/A	N/A
Member	Shay Chalmers	2	N/A	N/A	N/A
Member	Marina Chambers	2	N/A	N/A	N/A
Member	John McLean	1	N/A	N/A	N/A
Member	Wasantha Mudannayake	1	N/A	N/A	N/A
Member	Andrew Spink	1	N/A	N/A	N/A
Member	Stephen Tait	1	N/A	N/A	N/A
Member	Rohan Webb	2	N/A	N/A	N/A
Member	Julie Williams	2	N/A	N/A	N/A
Member	Jacqui Wilson-Smith	2	N/A	N/A	N/A
No. scheduled meetings/sessions	2				
Total out-of-pocket expenses	$6292.63				

Appendix 3: Contacts and locations

Head office – Brisbane

1 William Street, Brisbane
PO Box 15009, City East Qld 4002
Telephone 13 QGOV (13 74 68)
International callers: +617 3328 4811 (+10 hours UTC)
info@drdm.qld.gov.au
www.drdm.qld.gov.au

Regional

Central Queensland

Main office-Rockhampton
209 Bolsover Street
Rockhampton QLD 4700
Telephone +617 4924 2914

North Queensland

Main office-Townsville
445 Flinders Street
Townsville QLD 4810
Telephone +617 4758 3405

South Queensland

F Block TAFE
100 Bridge Street
Toowoomba QLD 4350
Telephone +617 4613 8916

Rockhampton Manufacturing Hub

Ground Floor, Building 37
CQ University North Rockhampton Campus
Rockhampton QLD 4700
Telephone: +61 407 563 377

Cairns Manufacturing Hub

TAFE Qld Cairns Campus, (S Block),
Gatton Street
Manunda QLD 4870
Telephone +617 4037 3241

Townsville Manufacturing Hub

445 Flinders Street
Townsville QLD 4810
Telephone +617 4758 3405

Gladstone Manufacturing Hub

Central Queensland University Gladstone Marine Campus
Building 1 Bryan Jordan Drive
Gladstone QLD 4680
Telephone: +61 0436 814 547

Appendix 4: Compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	• A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	Page 3
Accessibility	• Table of contents • Glossary	ARRs – section 9.1	Page 4 Page 42
	• Public availability	ARRs – section 9.2	Page 2
	• Interpreter service statement	Queensland Government Language Services Policy ARRs – section 9.3	Page 2
	• Copyright notice	Copyright Act 1968 ARRs – section 9.4	Page 2
	• Information Licensing	QGEA – Information Licensing ARRs – section 9.5	Page 2
General information	• Introductory Information	ARRs – section 10.1	Pages 5-6
	• Machinery of government changes	ARRs – section 10.2, 31 and 32	Pages 8-9
	• Agency role and main functions	ARRs – section 10.2	Pages 8-9
	• Operating environment	ARRs – section 10.3	Pages 9-11
Non-financial performance	• Government's objectives for the community	ARRs – section 11.1	Page 8
	• Other whole-of-government plans/specific initiatives	ARRs – section 11.2	Page 8
	• Agency objectives and performance indicators	ARRs – section 11.3	Pages 9-13
	• Agency service areas and service standards	ARRs – section 11.4	Pages 33-34
Financial performance	• Summary of financial performance	ARRs – section 12.1	Pages 14-17
Governance – management and structure	• Organisational structure	ARRs – section 13.1	Page 17-19
	• Executive management	ARRs – section 13.2	Pages 19-20
	• Government bodies (statutory bodies and other entities)	ARRs – section 13.3	Pages 22 and 35-37
	• Public Sector Ethics	Public Sector Ethics Act 1994 ARRs – section 13.4	Pages 29-30

Summary of requirement		Basis for requirement	Annual report reference
	• Human Rights	Human Rights Act 2019 ARRs – section 13.5	Pages 21-22
	• Queensland public service values	ARRs – section 13.6	Pages 8 and 30
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	Pages 26-27
	• Audit committee	ARRs – section 14.2	Pages 23-24
	• Internal audit	ARRs – section 14.3	Page 27-28
	• External scrutiny	ARRs – section 14.4	Page 28
	• Information systems and recordkeeping	ARRs – section 14.5	Pages 28-29
Governance – human resources	• Strategic workforce planning and performance	ARRs – section 15.1	Page 29
	• Early retirement, redundancy and retrenchment	Directive No.04/18 Early Retirement, Redundancy and Retrenchment ARRs – section 15.2	Page 32
Open Data	• Statement advising publication of information	ARRs – section 16	Page 2
	• Consultancies	ARRs – section 33.1	www.data.qld.gov.au
	• Overseas travel	ARRs – section 33.2	www.data.qld.gov.au
	• Queensland Language Services Policy	ARRs – section 33.3	www.data.qld.gov.au
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Part B – page 45
	• Independent Auditor's Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	Part B – pages 46-48

ARRs Annual report requirements for Queensland Government agencies

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

QGEA Queensland Government Enterprise Architecture

ABBREVIATIONS

Term	Definition
ARMC	Audit and Risk Management Committee
CFO	Chief Finance Officer
DHPW	Department of Housing and Public Works
DRDM	Department of Regional Development and Manufacturing
DSDMIP	Department of State Development, Manufacturing, Infrastructure and Planning
DSDTI	Department of State Development, Tourism and Innovation
EAP	Employee Assistance Program
eDRMS	electronic Document Records Management System
ELT	Executive Leadership Team
ERM	Enterprise Risk Management
FAA	*Financial Accountability Act 2009*
FAMC	Finance and Asset Management Committee
FPMS	Financial and Performance Management Standard 2019
FTE	Full-time equivalent
HR Act	*Human Rights Act 2019*
ICT	Information and communication technology
IM	Information management
ISC	Information Steering Committee
ISMS	Information Security Management System
MIQ	Made in Queensland grant program
PCC	People and Culture Committee
PPE	Personal protective equipment
QAO	Queensland Audit Office
QT	Queensland Treasury
SDS	Service Delivery Statements
SME	Small-to-medium enterprise
STEM	Science, technology, engineering and maths
WHS	Work Health and Safety

GLOSSARY

Term	Description
Administrative Arrangements Orders	Set out the principal responsibilities of government ministers and their portfolios.
Advance Queensland Industry Attraction Fund	This fund aims to increase private sector investment, create jobs and a strong economy.
Jobs and Regional Growth Fund	A $175 million program that is part of the government's broader Jobs and Regional Growth Package targeted at growing regional economies and creating jobs for Queenslanders. The fund is helping to facilitate private sector projects that create employment and economic growth opportunities in regional areas. The fund focuses primarily on regions outside South East Queensland however, projects located in all areas with higher than average unemployment may be considered.
Machinery of government	A machinery of government change occurs when the Queensland Government decides to change the way state responsibilities are managed. It can involve the movement of functions, resources and people from one agency to another.
Made in Queensland	A $40 million grants program supporting Queensland's manufacturing sector to become more internationally competitive and adopt innovative processes and technologies.
Pandemic	A global outbreak of a disease that meets three criteria: • Humans have little or no pre-existing immunity to the causative pathogen. • Infection with the pathogen usually leads to disease in humans. • The pathogen has the capacity to spread efficiently from person-to-person.
Priority industries	As part of the Advance Queensland program several industry sectors were identified as emerging priority industries to be supported to build their competitive strengths and to create the knowledge-based jobs of the future. They include: • Advanced manufacturing • Aerospace • Biofutures • Biomedical • Defence • Mining Equipment, Technology and Services.
Whole-of-government	A term used to refer to all Queensland Government departments and agencies.

Contents

General information

The Department of Regional Development and Manufacturing (the department) is a 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 Level 33, 1 William Street, Brisbane QLD 4000.

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

For information in relation to the department's financial statements please call +61 7 3452 6930, email financedsdmip@dsdmip.qld.qov.au or visit the department's website www.drdm.qld.gov.au.

Department of Regional Development and Manufacturing
Statement of Comprehensive Income for the year ended 30 June 2020

OPERATING RESULT	Note	2020 Actual $'000	2020 Original budget $'000	2020 Budget variance[1] $'000	2019 Restated [2] $'000
Income					
Appropriation revenue	4	307,071	470,707	(163,636)	383,236
User charges and fees	5	24,037	26,546	(2,509)	33,920
Land sales		33,194	77,460	(44,266)	42,665
Interest		10,005	13,303	(3,298)	11,301
Grants and other contributions revenue	6	377	319	58	5,946
Other revenue		251	528	(277)	1,109
Total revenue		374,935	588,863	(213,928)	478,177
Gains on disposal and remeasurement of assets	7	390	-	390	24,822
Total income		**375,325**	**588,863**	**(213,538)**	**502,999**
Expenses					
Supplies and services	8	72,875	124,468	(51,593)	84,228
Grants and contributions	9	146,620	262,209	(115,589)	227,293
Employee expenses	10	115,227	121,685	(6,458)	121,493
Revaluation decrement	16 ,17	13,816	-	13,816	12,320
Finance/borrowing costs		12,332	15,850	(3,518)	6,079
Cost of land sales	15	27,246	46,600	(19,354)	27,813
Depreciation and amortisation		2,310	4,460	(2,150)	4,676
Impairment losses		21	-	21	-
Land inventory written off	15	17,801	-	17,801	2,159
Other expenses	12	14,937	10,388	4,549	11,280
Total expenses		**423,184**	**585,660**	**(162,475)**	**497,340**
Operating result before income tax equivalent		**(47,859)**	**3,203**	**(51,063)**	**5,659**
Income tax equivalents	19	5,804	1,228	4,576	(11,092)
Operating result after income tax equivalent		**(42,055)**	**1,975**	**(46,487)**	**(5,433)**
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(42,055)**	**1,975**	**(46,487)**	**(5,433)**

¹ An explanation of major variances is included at Note 25.
² Details of balances restated have been outlined in Note 34.
The accompanying notes form part of these financial statements.

Department of Regional Development and Manufacturing
Statement of Financial Position as at 30 June 2020

	Note	2020 Actual $'000	2020 Original budget $'000	2020 Budget variance[1] $'000	2019 Restated [2] $'000
Current assets					
Cash and cash equivalents	13	137,954	166,727	(28,773)	235,689
Receivables	14	4,963	67,475	(62,512)	56,410
Land inventories	15	-	51,072	(51,072)	50,630
Other assets		-	490	(490)	823
Total current assets		142,916	285,991	(143,075)	343,552
Non-current assets					
Receivables	14	-	209,643	(209,643)	123,787
Land inventories	15	-	324,086	(324,086)	318,913
Property, plant and equipment	16	-	295,380	(295,380)	299,604
Investment property	17	-	249,875	(249,875)	228,113
Intangible assets	18	-	14,764	(14,764)	16,464
Deferred tax equivalent asset	19	-	21,866	(21,866)	27,752
Total non-current assets		-	1,115,614	(1,115,614)	1,014,632
Total assets		**142,916**	**1,401,605**	**(1,258,689)**	**1,358,185**
Current liabilities					
Payables	20	129,025	93,697	35,328	111,458
Borrowings	21	-	13,494	(13,494)	15,090
Accrued employee benefits		-	4,493	(4,493)	5,221
Provisions	22	-	16,405	(16,405)	55,804
Income tax payable	19	-	(1,841)	1,841	5,365
Other liabilities	23	-	72,954	(72,954)	25,417
Total current liabilities		129,025	199,202	(70,177)	218,354
Non-current liabilities					
Payables	20	-	22,159	(22,159)	-
Borrowings	21	-	130,035	(130,035)	98,727
Provisions	22	-	6,350	(6,350)	37,452
Deferred tax equivalent liability	19	-	74,274	(74,274)	94,070
Other liabilities	23	-	237	(237)	9,807
Total non-current liabilities		-	233,055	(233,055)	240,055
				-	
Total liabilities		**129,025**	**432,257**	**(303,232)**	**458,410**
				-	
Net assets		**13,891**	**969,348**	**(955,457)**	**899,775**
Equity					
Contributed equity		491,469	1,402,112	(910,643)	1,334,542
Accumulated deficit		(477,578)	(432,764)	(44,814)	(434,768)
Total Equity		**13,891**	**969,348**	**(955,457)**	**899,775**

¹ An explanation of major variances is included at Note 25.

² Details of balances restated have been outlined in Note 34.

The accompanying notes form part of these financial statements.

Department of Regional Development and Manufacturing
Statement of Changes in Equity for the year ended 30 June 2020

	Note	Contributed Equity $'000	Accumulated Deficit $'000	Total $'000
Balance as at 1 July 2018		**1,354,124**	**(438,919)**	**915,205**
Net effect of prior year adjustments [1]		-	9,583	9,583
Restated Balance as at 1 July 2018		**1,354,124**	**(429,336)**	**924,788**
Restated Operating Result				
Operating result from continuing operations [1]		-	(5,433)	(5,433)
Total Comprehensive Income for the Year		-	(5,433)	(5,433)
Transactions with Owners as Owners:				
Appropriated equity injections	4	15,047	-	15,047
Net transfers in/(out) from other Queensland Government entities		13,104	-	13,104
Balance transferred in/(out) through machinery-of-Government change		(63,350)	-	(63,350)
Non-appropriated equity injections		20,406	-	20,406
Net Transactions with Owners as Owners		(14,793)	-	(14,793)
Balance as at 30 June 2019		**1,339,330**	**(434,768)**	**904,563**
Net effect of prior year adjustments [1]		(4,788)	-	(4,788)
Balance as at 1 July 2019		**1,334,542**	**(434,768)**	**899,775**
Impact from implementation of new accounting standards	1	-	(750)	(750)
Operating Result				
Operating result from continuing operations		-	(42,055)	(42,055)
Total Comprehensive Income for the Year		-	(42,055)	(42,055)
Transactions with Owners as Owners:				
Appropriated equity injections	4	109,573	-	109,573
Appropriated equity withdrawals	4	(10,124)	-	(10,124)
Net transfers in/(out) from other Queensland Government entities		9,400	-	9,400
Balance transferred in/(out) through machinery-of-Government change	3	(951,922)	-	(951,922)
Net Transactions with Owners as Owners		(843,073)	-	(843,073)
Balance as at 30 June 2020		**491,469**	**(477,578)**	**13,891**

¹ Details of balances restated have been outlined in Note 34.

The accompanying notes form part of these financial statements.

Department of Regional Development and Manufacturing
Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 Actual $'000	2020 Original budget $'000	2020 Budget variance[1] $'000	2019 Restated[2] $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Inflows:					
Appropriation receipts	4	450,263	475,791	(25,528)	413,857
User charges and fees		27,211	20,292	6,919	61,028
Land sales		33,194	77,460	(44,266)	42,665
Grants and other contributions revenue		14,020	-	14,020	563
GST input tax credits from ATO		32,878	23,205	9,673	50,086
GST collected from customers		7,343	7,445	(102)	25,865
Interest receipts		6,624	9,634	(3,010)	7,419
Other inflows		251	528	(277)	1,348
Outflows:					
Supplies and services		(210,378)	(208,206)	(2,172)	(121,237)
Employee expenses		(114,330)	(121,740)	7,410	(108,425)
Grants and contributions		(226,988)	(330,209)	103,221	(232,748)
GST paid to suppliers		(32,839)	(22,557)	(10,282)	(49,747)
GST remitted to ATO		(9,009)	(8,915)	(94)	(25,903)
Finance/borrowing costs		(2,486)	(9,850)	7,364	(5,055)
Income tax equivalents		(1,838)	(114)	(1,724)	(6,025)
Other outflows		(14,036)	(10,883)	(3,153)	(23,543)
Net cash provided by/(used in) operating activities		**(40,120)**	**(98,119)**	**57,999**	**30,148**
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows:					
Sales of property, plant and equipment		20,475	11,775	8,700	13,996
Loans and advances redeemed		8,963	4,246	4,717	9,727
Outflows:					
Payments for property, plant and equipment		(13,729)	(16,473)	2,744	(1,260)
Payments for investments		-		-	(996)
Payments for intangibles		(357)	(230)	(127)	(1,065)
Loans and advances made		(23,584)	(5,105)	(18,479)	(32,407)
Net cash provided by/(used in) investing activities		**(8,232)**	**(5,787)**	**(2,445)**	**(12,005)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows:					
Equity injections		109,675	84,653	25,022	16,552
Proceeds from borrowings		51,976	41,529	10,447	64,679
Outflows:					
Equity withdrawals		(10,124)	(13,384)	3,260	(37,213)
Borrowing redemptions		(5,043)	(15,852)	10,809	(18,411)
Net cash provided by/(used in) financing activities		**146,484**	**96,946**	**49,538**	**25,607**
Net increase/(decrease) in cash and cash equivalents		98,133	(6,960)	105,093	43,750
Increase/(decrease) in cash and cash equivalents from restructuring		(195,868)	173,687	(369,555)	(4,787)
Cash and Cash Equivalents – opening balance		235,689	-	235,689	196,728
Cash and Cash Equivalents – closing balance	13	**137,954**	**166,727**	**(28,773)**	**235,689**

¹ An explanation of major variances is included at Note 25.

² Details of balances restated have been outlined in Note 34.

The accompanying notes form part of these financial statements.

Notes to the Statement of Cash Flows for the year ended 30 June 2020

Reconciliation of operating result to net cash provided by operating activities

	2020 $'000	2019 $'000
Operating surplus/(deficit)	(42,055)	(5,433)
Non-cash items included in operating result:		
Depreciation and amortisation expense	2,310	4,676
Net gain on disposal of property, plant and equipment and intangible assets	1,778	199
Impairment loss reversals - receivables	-	(460)
Impairment losses	21	-
Revaluation decrement	13,816	12,320
Revaluation increment	-	(23,583)
Notional Interest	(3,323)	(3,812)
Loss on discounted loans advanced at concessional rates	357	2,829
Other non-cash items	(45,781)	14,337
Change in assets and liabilities		
(Increase)/decrease in appropriation revenue receivable	151,088	30,101
(Increase)/decrease in receivables	(61,875)	26,152
(Increase)/decrease in inventories	14,254	(56,620)
(Increase)/decrease in deferred tax	(9,487)	7,392
(Increase)/decrease in prepayments	(13,256)	184
Increase/(decrease) in payables	(96,727)	54,060
Increase/(decrease) in accrued employee benefits	(708)	731
Increase/(decrease) in other liabilities	53,348	(8,830)
Increase/(decrease) in provisions	(3,879)	(24,093)
Net cash provided by/(used in) operating activities	**(40,120)**	**30,148**

Changes in liabilities arising from financing activities

2020		*Non-Cash Changes*			*Cash Flows*		
	Opening Balance $'000	Transfers due to machinery-of-Government change[1] $'000	New leases acquired $'000	Other $'000	Cash Received $'000	Cash Repayments $'000	Closing Balance $'000
QTC borrowings (Note 21)	113,817	(163,104)	-	2,354	51,976	(5,043)	-
Total	**113,817**	**(163,104)**	**-**	**2,354**	**51,976**	**(5,043)**	**-**

2019		*Non-Cash Changes*			*Cash Flows*		
	Opening Balance $'000	Transfers due to machinery-of-Government change[1] $'000	New leases acquired $'000	Other $'000	Cash Received $'000	Cash Repayments $'000	Closing Balance $'000
QTC borrowings (Note 21)	123,603	-	-	(56,054)	64,679	(18,411)	**113,817**
Total	**123,603**	**-**	**-**	**(56,054)**	**64,679**	**(18,411)**	**113,817**

Non-cash investing and financing activities

Assets and liabilities transferred by the department as a result of machinery-of-Government change are set out in Note 3.

[1] For details for machinery-of-Government change, please refer to Note 3.

Department of Regional Development and Manufacturing
Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Unit for the year ended 30 June 2020

	Develop the Economy [1]		Economic and Infrastructure Strategy, Policy and Planning [2]		Better Planning for Queensland [2]	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Income						
Appropriation revenue	232,634	287,296	27,500	36,335	46,937	59,605
User charges and fees	5,835	14,678	480	288	4,443	4,525
Land sales	-	-	-	-	-	-
Interest	-	63	-	-	-	-
Grants and other contributions revenue	282	933	-	29	-	65
Other revenue	8	196	1	39	1	87
Total revenue	**238,758**	**303,167**	**27,980**	**36,690**	**51,382**	**64,282**
Gains on disposal and remeasurement of assets	68	209	-	-	-	-
Total income	**238,826**	**303,376**	**27,980**	**36,690**	**51,382**	**64,282**
Expenses						
Supplies and services	32,872	46,547	3,926	5,650	11,392	14,764
Grants and contributions	128,743	185,095	12,060	18,880	15,235	23,106
Employee expenses	61,784	64,762	13,103	13,348	26,517	28,054
Revaluation decrement	12,949	15,155	-	-	-	-
Finance/borrowing costs	9,846	496	-	-	-	-
Cost of land sales	-	-	-	-	-	-
Depreciation and amortisation	1,281	1,543	234	243	463	547
Impairment losses	15	-	-	-	-	-
Land inventory written off	-	-	-	-	-	-
Other expenses	2,594	674	30	57	118	210
Total expenses	**250,085**	**314,272**	**29,353**	**38,178**	**53,724**	**66,681**
Operating result before income tax equivalent	**(11,259)**	**(10,896)**	**(1,373)**	**(1,488)**	**(2,342)**	**(2,399)**
Income tax equivalents	-	-	-	-	-	-
Operating result after income tax equivalent	**(11,259)**	**(10,896)**	**(1,373)**	**(1,488)**	**(2,342)**	**(2,399)**
TOTAL OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**(11,259)**	**(10,896)**	**(1,373)**	**(1,488)**	**(2,342)**	**(2,399)**

[1] Function was transferred to Department of State Development, Tourism and Innovation, except for responsibilities for coordinated projects associated with mining and mining infrastructure and regional economic development which remain with the department. The effective date of transfer is 1 June 2020.

[2] Function was transferred to Queensland Treasury except for responsibilities for Economic Advisory and Government Indigenous Advisory which were transferred to Department of State Development, Tourism and Innovation. The effective date of transfer is 1 June 2020.

Refer to Note 2 of the financial statements for a description of major departmental services.

Department of Regional Development and Manufacturing
Statement of Comprehensive Income by Major Departmental Services and Commercialised Business Unit for the year ended 30 June 2020

	Business and Economic Growth [1]		Inter-Service/Unit Eliminations		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Income						
Appropriation revenue	-	-	-	-	307,071	383,236
User charges and fees	15,936	15,612	(2,656)	(1,183)	24,037	33,920
Land sales	33,194	42,665	-	-	33,194	42,665
Interest	10,005	11,238	-	-	10,005	11,301
Grants and other contributions revenue	10,840	7,739	(10,744)	(2,820)	377	5,946
Other revenue	241	1,087	-	(300)	251	1,109
Total revenue	**70,215**	**78,341**	**(13,400)**	**(4,303)**	**374,935**	**478,177**
Gains on disposal and remeasurement of assets	3,057	39,564	(2,735)	(14,949)	390	24,822
Total income	**73,272**	**117,905**	**(16,135)**	**(19,252)**	**375,325**	**502,999**
Expenses						
Supplies and services	27,340	18,632	(2,656)	(1,365)	72,875	84,228
Grants and contributions	1,326	3,032	(10,744)	(2,820)	146,620	227,293
Employee expenses	13,824	15,447	-	(118)	115,227	121,493
Revaluation decrement	3,602	12,115	(2,735)	(14,950)	13,816	12,320
Finance/borrowing costs	2,486	5,583	-	-	12,332	6,079
Cost of land sales	27,246	27,813	-	-	27,246	27,813
Depreciation and amortisation	332	2,342	-	-	2,310	4,676
Impairment losses	6	-	-	-	21	-
Land inventory written off	17,801	2,159	-	-	17,801	2,159
Other expenses	12,196	10,339	-	-	14,937	11,280
Total expenses	**106,157**	**97,463**	**(16,135)**	**(19,252)**	**423,184**	**497,340**
Operating result before income tax equivalent	**(32,885)**	**20,442**	**-**	**-**	**(47,859)**	**5,659**
Income tax equivalents	5,804	(11,092)	-	-	5,804	(11,092)
Operating result after income tax equivalent	**(27,081)**	**9,350**	**-**	**-**	**(42,055)**	**(5,433)**
TOTAL OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**(27,081)**	**9,350**	**-**	**-**	**(42,055)**	**(5,433)**

[1] This relates to Economic Development Queensland (EDQ), a CBU of the department and was transferred to Department of State Development, Tourism and Innovation, effective 1 June 2020.

Refer to Note 2 of the financial statements for a description of major departmental services.

Department of Regional Development and Manufacturing
Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Unit as at 30 June 2020

	Develop the Economy		Economic and Infrastructure Strategy, Policy and Planning [1]		Better Planning for Queensland [1]	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets						
Cash and cash equivalents	137,954	40,147	-	6,063	-	13,642
Receivables	4,963	34,073	-	3,874	-	8,353
Land inventories	-	-	-	-	-	-
Other assets	-	332	-	60	-	136
	142,917	74,551	-	9,996	-	22,131
Total current assets	**142,917**	**74,551**	**-**	**9,996**	**-**	**22,131**
Non-current assets						
Receivables	-	280	-	-	-	19,524
Land inventories	-	-	-	-	-	-
Property, plant and equipment	-	121,143	-	66	-	148
Investment property	-	-	-	-	-	-
Intangible assets	-	13,961	-	937	-	1,567
Deferred tax equivalent asset	-	-	-	-	-	-
Total non-current assets	**-**	**135,384**	**-**	**1,002**	**-**	**21,237**
Total assets	**142,917**	**209,936**	**-**	**10,998**	**-**	**43,369**
Current liabilities						
Payables	129,025	68,786	-	1,573	-	1,890
Borrowings	-	-	-	-	-	-
Accrued employee benefits	-	2,822	-	555	-	1,217
Provisions	-	23,439	-	-	-	-
Income tax payable	-	-	-	-	-	-
Other liabilities	-	15,072	-	-	-	168
Total current liabilities	**129,025**	**110,118**	**-**	**2,129**	**-**	**3,275**
Non-current liabilities						
Payables	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Deferred tax equivalent liability	-	-	-	-	-	-
Other liabilities	-	2,932	-	577	-	1,298
Total non-current liabilities	**-**	**2,932**	**-**	**577**	**-**	**1,298**
Total liabilities	**129,025**	**113,050**	**-**	**2,706**	**-**	**4,573**

[1] There is no balance for this function at 30 June 2020 due to a machinery-of-Government change.
Refer to Note 2 of the financial statements for a description of major departmental services.

Department of Regional Development and Manufacturing
Statement of Assets and Liabilities by Major Departmental Services and Commercialised Business Unit as at 30 June 2020

	Business and Economic Growth [1]		Inter-Service/Unit Eliminations		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets						
Cash and cash equivalents	-	175,837	-	-	137,954	235,689
Receivables	-	30,192	-	(20,082)	4,963	56,410
Land inventories	-	52,615	-	(1,984)	-	50,630
Other assets	-	295	-	-	-	823
	-	258,940	-	(22,065)	142,916	343,552
Total current assets	**-**	**258,940**	**-**	**(22,065)**	**142,916**	**343,552**
Non-current assets						
Receivables	-	123,506	-	(19,524)	-	123,787
Land inventories	-	318,913	-	-	-	318,913
Property, plant and equipment	-	178,248	-	-	-	299,604
Investment property	-	228,113	-	-	-	228,113
Intangible assets	-	-	-	-	-	16,464
Deferred tax equivalent asset	-	27,752	-	-	-	27,752
Total non-current assets	**-**	**876,532**	**-**	**(19,524)**	**-**	**1,014,632**
Total assets	**-**	**1,135,472**	**-**	**(41,589)**	**142,916**	**1,358,185**
Current liabilities						
Payables	-	61,274	-	(22,065)	129,025	111,458
Borrowings	-	15,090	-	-	-	15,090
Accrued employee benefits	-	626	-	-	-	5,221
Provisions	-	32,365	-	-	-	55,804
Income tax payable	-	5,365	-	-	-	5,365
Other liabilities	-	10,177	-	-	-	25,417
Total current liabilities	**-**	**124,897**	**-**	**(22,065)**	**129,025**	**218,354**
Non-current liabilities						
Payables	-	19,524	-	(19,524)	-	-
Borrowings	-	98,727	-	-	-	98,727
Provisions	-	37,451	-	-	-	37,452
Deferred tax equivalent liability	-	94,070	-	-	-	94,070
Other liabilities	-	5,000	-	-	-	9,807
Total non-current liabilities	**-**	**254,772**	**-**	**(19,524)**	**-**	**240,055**
Total liabilities	**-**	**379,669**	**-**	**(41,589)**	**129,025**	**458,410**

[1] There is no balance for this function at 30 June 2020 due to machinery-of-Government change.
Refer to Note 2 of the financial statements for a description of major departmental services.

About the Department and this Financial Report

Notes about our Financial Performance

Notes about our Financial Position

Other Information

1. Basis of financial statement preparation

Compliance with prescribed requirements

The Department of Regional Development and Manufacturing (the department) has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

The department is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards applied for the first time in these financial statements are outlined in this note.

Presentation

Currency and rounding: Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where the amount is $500 or less, to zero, unless disclosure of the full amount is specifically required. Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Comparatives: Comparative information reflects the audited 2018-19 financial statements except where restated for prior period errors and adjustments. The department has restated balances due to the events outlined in Note 34. The current year is not comparable to the previous year due to the machinery-of-Government change detailed in Note 3.

Current/Non-current classification: Assets and liabilities are classified as either ‘current’ or ‘non-current’ in the Statement of Financial Position and associated notes. 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.

Authorisation of financial statements for issue

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

Basis of measurement

Historical cost is used as a measurement basis in this financial report except for the following:
- Land, buildings and investment property which are measured at fair value; and
- Inventories, which are measured at the lower of cost and net realisable value.

Historical cost: Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:
- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement
- The *income approach* converts multiple future cash flow amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

Present value: Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Net realisable value: Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of the department, except for those functions transferred through machinery-of-Government change as outlined below.

As a result of *Administrative Arrangements Order (No.1) 2020* dated 11 May 2020, the Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) was renamed the Department of Regional Development and Manufacturing (DRDM). For further information on details of functions transferred out of the department and the extent of the changes, refer to Note 3.

The department shares an interest in a jointly controlled operation, Woodlands Andergrove, in partnership with the Mackay Regional Council to develop and sell land lots located at Bedford Road, Andergrove in Mackay. In accordance with the partnership agreement, the department’s interest in the joint venture is 50% which is not material and therefore not disclosed in the notes to the financial statements.

The department also shares an interest in a jointly controlled operation, Toondah Harbour, in partnership with the Redland City Council to facilitate the efficient and effective development of project land located at the Toondah Harbour Priority Development Area, Cleveland. In accordance with the joint venture agreement, the department’s interest in the joint venture is 50%. The department's share of transactions and balances from this agreement are not considered to be material for the 2019-20 financial year.

As at 1 June 2020, the department's shares in the above jointly controlled operations were transferred out to the Department of State Development, Tourism and Innovation as part of the machinery-of-Government change.

First Year Application of New Accounting Standards or Change in Accounting Policy

Accounting standards applied for the first time

Three new accounting standards were applied for the first time in 2019-20:
- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 16 *Leases*

The effect of adopting these new standards are detailed below.

1. Basis of financial statement preparation (continued)

AASB 15 *Revenue from Contracts with Customers*

The department applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 15 are described below:

i. New revenue recognition model

AASB 15 establishes a new five-step model for determining how much and when revenue from contracts with customers is recognised. The five-step model and significant judgements at each step are detailed below:

Step 1 - Identify the contract with the customer	The department's land sales revenue and user charges revenue and fees which contain a contract with a customer, fall within the scope AASB 15. These contracts are enforceable and contain sufficiently specific performance obligations.
Step 2 - Identify the performance obligations in the contract	This step involves firstly identifying all the activities the department is required to perform under the contract, and determining which activities transfer goods or services to the customer. Where there are multiple goods or services transferred, the department assess whether each good or service is a distinct performance obligation or should be combined with other goods or services to form a single performance obligation. To be within the scope of AASB 15, the performance obligations must be 'sufficiently specific', such that the department is able to measure how far along it is in a meeting the performance obligations.
Step 3 - Determine the transaction price	When the consideration in the contract includes a variable amount, the department estimates the variable consideration to which it is entitled and only recognise revenue to the extent that it is highly probably a significant reversal of the revenue will not occur. This is the case in some land sales contracts.
Step 4 - Allocate the transaction price to the performance obligation	When there is more than one performance obligation in a contract, the transaction price is allocated to each performance obligation, based on applicable clauses of each contract.
Step 5 - Recognise revenue when or as the department satisfies performance obligations	Revenue is recognised when the department transfers control of the goods or services to the customer. A key judgement is whether a performance obligation is satisfied over time or at a point in time. And where it is satisfied over time, the department has developed methods for measuring progress towards satisfying the obligation depending on each contract type.

ii. Other changes arising from AASB 15

AASB 15 specifies the accounting for incremental costs of obtaining a contract and costs directly related to fulfilling a contract.

The standard requires contract assets (accrued revenue) and contract liabilities (unearned revenue) to be shown separately and requires contract assets to be distinguished from receivables.

iii. Transitional impact

Transitional policies adopted are as follows:

- The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 *Revenue* and related interpretations.
- The department elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where the department had recognised all of the revenue in prior periods under AASB 1004 *Contributions* .
- The department applied a practical expedient to reflect, on transition, the aggregate effect of all contract modification that occurred before 1 July 2019.
- There are no adjustment required at 30 June 2019.

User charges and fees

There are no changes to timing of recognising the user charges and fees revenue recognition as a result of implementing AASB 15.

Grants and other contributions revenue

Grants and other contributions revenue agreements are not enforceable and/or not sufficiently specific. They do not qualify for deferral and are recognised as revenue as soon as they are controlled.

Land sales revenue

Land sales revenue is recognised as revenue upfront unless the sales contract has performance obligations requiring deferral of revenue.

1. Basis of financial statement preparation (continued)

AASB 1058 *Income of Not-for-Profit Entities*

The department applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 1058 are described below:

i. Scope and revenue recognition under AASB 1058

AASB 1058 applies to transactions where the department acquires an asset for significantly less than fair value principally to enable the department to further its objective.

The department's revenue line items recognised under this standard from 1 July 2019 include Appropriation revenue, some user charges and fees revenue collected through Section 25 of the *State Development and Public Works Organisation Act 1971* (SDPWO Act) and Schedule 1B of *State Development and Public Works Organisation Regulation 2010* (SDPWO Regulation), and Grants and other contributions revenue, and some other revenue.

General revenue recognition framework

The revenue recognition framework for in scope transactions is as follows:

a. Recognise the asset - e.g. cash, receivables, property, plant and equipment, a right-of-use asset or an intangible asset
b. Recognise related amounts - e.g. contributed equity, a financial liability, a lease liability, a contract liability or a provision (grants and donations in many cases can have nil related amounts)
c. Recognise the difference as income upfront

The initial recognition and measurement of receivables arising from statutory requirements falls under AASB 9 *Financial Instruments*, therefore AASB 9 governs the timing and amount of revenue recognised under AASB 1058 for such statutory income.

The department did not receive specific-purpose capital grants or volunteer services.

ii. Transitional impact

Transitional policies adopted are as follows:

- The department applied the modified retrospective transition method and has not restated comparative information for 2018-19. They continue to be reported under relevant standards applicable in 2018-19, such as AASB 1004.
- The department elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where the department had recognised all of the revenue in prior periods under AASB 1004.
- The department applied a practical expedient to not remeasure at fair value assets previously acquired for significantly less than fair value and originally recorded at cost.

Revenue recognition of the department's appropriations and grants and other contributions will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when the department gains control of the asset (e.g. cash or receivable) in most instances.

The fees and charges collected through Section 25 of the SDPWO Act were deferred to a later reporting period and recognised over time under the previous accounting standards. The department assessed that revenue for these fees and charges to be accounted when the taxable event occurs. The taxable event in this instance is the outcome of the application issued or completed as per the SDPWO Act and SDPWO Regulation. Where payment is received before the taxable event, the amount is recognised as unearned revenue until the time of the taxable event. This is due to the existence of performance obligations through the SDPWO Act and SDPWO Regulation for the department to perform specific activities.

The following table summarises the transitional adjustments on 1 July 2019 relating to the adoption of AASB 1058.

	$'000
Other current liabilities - unearned revenue (increase)	518
Accumulated surplus (decrease)	518

Impact of adoption of AASB 1058 in the current period

The following table shows the impacts of adopting AASB 1058 on the department's 2019-20 financial statements. It compares the actual amounts reported to amounts that would have been reported if the previous revenue standards (AASB 1004 and related interpretations) had been applied in the current year.

	As reported $'000	**AASB 1058 changes** $'000	**Previous standards** $'000
Operating result for 2019-20			
User charges and fees	24,037	438	24,475
Operating result for the year after income tax equivalent	**(42,055)**	**438**	**(41,617)**
Total comprehensive income	**(42,055)**	**438**	**(41,617)**

1. Basis of financial statement preparation (continued)

AASB 16 *Leases*

The department applied AASB 16 *Leases* for the first time in 2019-20. The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below:

i. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, the department elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past.

Amendments to former operating leases for office accommodation

In 2018-19, the department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO).

Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting.

From 2019-20 onwards, the costs of these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

ii. Changes to lessee accounting

Previously, the department classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee.

This distinction between operating and finance leases no longer exists for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extensions or renewal options that the department is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the department under residual value guarantees
- the exercise price of a purchase option that the department is reasonably certain to exercise
- payments for termination penalties, if the lease term reflects the early termination

The discount rate used is the interest rate implicit in the lease, or the department's incremental borrowing rate if the implicit rate cannot be readily determined.

Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in lease term.

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received
- initial direct costs incurred
- the initial estimate of restoration costs

Where the lessee applies the fair value model under AASB 117 and AASB 140 *Investment Property* to investment property, the lessee is required to apply the fair value model to right-of-use asset that meet the definition of investment property.

Except for land assets under perpetual lease agreements, other right-of-use assets will subsequently give rise to a depreciation expense and be subject to impairment. Due to the perpetual lease term and the infinite life of the underlying asset, no depreciation is recognised for land assets under a perpetual lease agreement.

Right-of-use assets differ in substance from leased assets previously recognised under finance leases in that the asset represents the intangible right to use the underlying asset rather than the underlying asset itself.

Short-term leases and leases of low value assets

The department has elected to recognise lease payments for short-term leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

iii. Change to lessor accounting

Lessor accounting remains largely unchanged under AASB 16. Leases are still classified as either operating or finance leases. However, the classification of subleases now references the right-of-use arising from the head lease, instead of the underlying asset.

iv. Transitional impact

Former operating leases as lessee

- The department's former operating leases, other than the exempt QGAO arrangements, are now recognised on-balance sheet as right-of-use assets and lease liabilities.
- On transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the department's incremental borrowing rate at 1 July 2019.
- The department's weighted average incremental borrowing rate on 1 July 2019 was 1.775%.
- Right-of-use assets under concessionary (Peppercorn) leases over land assets are initially recognised at cost. These right-of-use assets are separately presented in the Statement of Financial Position.

1. Basis of financial statement preparation (continued)

- Right-of-use assets meeting the definition of AASB 140 and measured under fair value model are measured consistent with remaining investment properties at fair value. These right-of-use assets are presented as investment properties in the Statement of Financial position.
- On transition, the department used practical expedients to:
  - not recognise right-of-use assets and lease liabilities for leases that end within 12 months of the date of initial application and leases of low value assets
  - exclude initial direct costs from the measurement of right-of-use assets; and
  - use hindsight when determining the lease term.

The following table summarises the on-transition adjustments to assets and liabilities balances at 1 July 2019 in relation to former leases.

	$'000
Straight line lease liability (decrease)	4,807
Appropriation receivable (decrease)	5,056
Accumulated surplus (increase)	249
Land assets (decrease)	1,685
Right-of-use assets - Land (increase)	1,685
Lease liabilities (increase)	481
Accumulated surplus (decrease)	481

<u>Leases as lessor</u>
No transitional adjustments were required for leases in which the department is lessor.

v. Reconciliation of operating lease commitments as at 30 June 2019 to lease liabilities at 1 July 2019

	$'000
Total undiscounted operating lease commitments as at 30 June 2019	226,249
- discounted using the incremental borrowing rate at 1 July 2019	(34,400)
Present value of operating lease commitments	191,849
- less internal-to-government arrangements that are no longer leases	(191,849)
- add/less other adjustments	481
Lease liabilities at 1 July 2019	481

Accounting standards early adopted
No Australian Accounting Standards have been early adopted for 2019-20.

2. Department objectives

From 1 June 2020 the objective of the department is to drive economic growth, stimulate enterprise development and provide job creation opportunities in Regional Queensland and the manufacturing sector.

To support the delivery of the department's objectives, the major departmental services of the department is Develop the Economy. This service area’s objective is to deliver projects and programs that create jobs that provide enduring economic benefit by delivering regional economic development opportunities and supporting the manufacturing industry in Queensland.

The following major departmental services were part of the department until 31 May 2020 and transferred out as a result of machinery-of-Government change outlined in Note 3.

Economic and Infrastructure Strategy, Policy and Planning
This service area's objective was to lead the Queensland Government's efforts in developing a medium to long-term economic strategy that provides direction for policy, planning and prioritisation to maximise the benefits to Queensland of infrastructure activities, regional economic development and industry roadmaps. The service area includes coordinating the Government's infrastructure program and infrastructure policy and contributes to national infrastructure agendas and whole-of-state infrastructure planning. The service area engages with government and industry to develop economic strategy that is integrated with regional land-use, infrastructure and industry development planning, with the aim to deliver on our vision for a thriving and inclusive Queensland, where the economy, industry and communities prosper. The service area is responsible for ensuring infrastructure is prioritised on the basis that it provides a clear economic or service delivery benefit and will deliver the best possible value for money to Queenslanders on infrastructure investment.

Better Planning for Queensland
This service area's objective was to drive the effectiveness of Queensland’s planning system by ensuring accessible and transparent requirements and efficiency of State assessment functions.

Business and Economic Growth
This commercialised business unit's (CBU's) objective was to initiate a range of development projects to drive economic growth, facilitate renewal and generate ongoing employment opportunities, consistent with the Queensland Government’s economic development agenda.

3. Machinery-of-Government changes

As a result of *Administrative Arrangements Order (No.1) 2020* on 11 May 2020, the Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) was renamed the Department of Regional Development and Manufacturing (DRDM), effective 1 June 2020. Under this notice, the following functions were transferred out of the department:

- Infrastructure and Planning functions were transferred out to Queensland Treasury (QT), except for responsibilities for Economic Advisory and Government Indigenous Advisory which were transferred to Department of State Development, Tourism and Innovation (DSDTI).
- State Development, Major Projects (Coordinator-General) and Economic Development Queensland (EDQ) functions were transferred to DSDTI. EDQ is a Commercialised Business Unit (CBU) and incorporates joint ventures outlined in Note 1.

The remaining responsibilities for the department now consist of the following:
- Cross Sector Coordination to Enhance Economic Growth
- Manufacturing Industry Development
- Queensland Response to Australian Government Policy on the Development of Northern Australia
- Regional Economic Development
- State Development including coordinated projects associated with mining and mining infrastructure

The responsibility of forwarding administered appropriation revenue of $877.349 million to the Queensland Reconstruction Authority, Building Queensland, Roma Street and Southbank Parkland has been reallocated from the department to QT. The department continues to administer appropriation revenue to Gasfields Commission. Refer to Note 33 for further information.

The assets and liabilities transferred as a result of the machinery-of Government (moG), effective from 1 June 2020, are outlined below.

	Transferred out to QT	Transferred out to DSDTI		Total
	Infrastructure and Planning	State Development and Major Projects	Economic Development Queensland	
	$'000	$'000	$'000	$'000
Current assets				
Cash and cash equivalents	2,009	39,401	156,467	197,877
Receivables	838	24,366	26,436	51,640
Land inventories	-	-	37,128	37,128
Other assets	-	13,987	92	14,079
Total current assets	2,847	77,754	220,123	300,724
Non-current assets				
Receivables	19,524	54,287	145,356	219,167
Land Inventories	-	-	318,555	318,555
Property, plant and equipment	-	118,631	159,281	277,912
Right-of-use assets	-	-	1,685	1,685
Investment property	-	-	226,305	226,305
Intangible assets	3,257	11,930	-	15,187
Deferred tax equivalent asset	-	-	26,516	26,516
Total non-current assets	22,781	184,848	877,698	1,085,327
Total assets	**25,628**	**262,602**	**1,097,821**	**1,386,051**
Current liabilities				
Payables	134	20,419	16,470	37,023
Borrowings	-	-	45,000	45,000
Lease liabilities	-	-	71	71
Accrued employee benefits	1,132	2,782	598	4,512
Provisions	-	20,541	53,863	74,404
Deferred tax equivalent liability	-	-	3,003	3,003
Other liabilities	1,581	20,770	6,086	28,437
Total current liabilities	2,847	64,512	125,091	192,450
Non-current liabilities				
Payables	-	6,343	19,524	25,867
Borrowings	-	-	118,104	118,104
Lease liabilities	-	-	334	334
Provisions	-	-	6,343	6,343
Deferred tax equivalent liability	-	-	87,029	87,029
Other liabilities	-	-	4,000	4,000
Total non-current liabilities	-	6,343	235,335	241,678
Total liabilities	**2,847**	**70,855**	**360,426**	**434,128**
Net assets	**22,781**	**191,747**	**737,395**	**951,922**

The net decrease in assets of $951.922 million has been accounted for as a decrease in contributed equity as disclosed in the Statement of Changes in Equity.

As part of the machinery-of-Government change, budgeted appropriation revenue of $16.398 million and $124.869 million were reallocated to QT and DSDTI respectively.

4. Appropriation revenue

	Note	2020 $'000	2019 $'000
Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in operating result			
Budgeted appropriation receipts		475,791	475,430
Redistribution of government business		-	(2,190)
Treasurer's transfers		(25,528)	-
Lapsed appropriation receipts		-	(59,383)
Total Appropriation Receipts (cash)		**450,263**	**413,857**
Less: Opening balance of appropriation revenue receivable		(22,964)	(75,795)
Plus: Effect of adoption of new accounting standards		4,558	-
Plus: Opening balance of deferred appropriation payable to Consolidated Fund		-	22,210
Plus: Closing balance of deferred appropriation receivable/(payable) to Consolidated Fund	14	-	22,964
Less: Closing balance of deferred appropriation payable to Consolidated Fund		(124,786)	-
Net Appropriation Revenue		**307,071**	**383,236**
Appropriation revenue recognised in Statement of Comprehensive Income		**307,071**	**383,236**
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed			
Budgeted equity adjustment appropriation		74,269	139,917
Redistribution of government business		-	(108,000)
Treasurer's transfers		25,282	-
Lapsed equity adjustment appropriation		-	(13,800)
Total equity adjustment receipts		**99,551**	**18,117**
Plus: Opening balance of equity adjustment payable/(receivable)		(102)	(7,960)
Plus: Closing balance of equity adjustment receivable/(payable)	14	-	102
Equity adjustment recognised in Contributed equity		**99,449**	**10,259**

Accounting policy
Appropriation revenue
Appropriations provided under the *Appropriation Act 2019* and the *Appropriation (COVID-19) Act 2020* are recognised as revenue when received. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation repayable 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. Prior to 1 July 2019, any liability at the end of the financial year for deferred appropriation repayable was debited to expense under the requirements of the superseded AASB 1004 *Contributions* (refer Note 12). Capital appropriations are recognised as adjustments to equity.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' items in Note 33.

5. User charges and fees

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Sale of services	3,152	17,006
Statutory fees and charges	4,013	519
Other user charges and fees		
Property rental	12,801	12,324
Statutory fees and charges	468	-
Other fees *	3,603	4,071
Total user charges and fees	**24,037**	**33,920**

* The interest on lease liabilities recognised in 2019-20 under AASB 16 was $9,037. The sublease income presented in 'user charges and fees' are $219,722 (2019: $378,603). There were no expenses relating to short-term leases or leases of low-value assets.

Accounting policy
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 and revenue recognition of department's revenue from contracts with customers.

Type of sale of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
Provision of services to other government entities through service level agreements	The department provided material corporate services and other support to other government entities under service level agreements. The performance obligation is the delivery of the agreed services over the agreed period.	Revenue is recognised over time to match the services performed over a period of time. The customer under the service level agreement simultaneously receives and consumes the benefits when the agreed services are performed by the department. The department has enforceable an right to payment for the completed services. The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition from service level agreements.
Cost recoveries in other fees	The department recovered costs such as expert advice or advertising it incurs from third parties under statutory requirements/contractual arrangements. The department has the principal responsibility to obtain these services.	Revenue is recognised upfront since the cost recovery is carried out under statutory requirements/contracts. The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition of cost recoveries.

5. User charges and fees (continued)

Type of sale of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
Statutory fees and charges	Statutory fees and charges primarily relates to fee for service from various legislation. The revenue is recognised when the legislated fees is charged for the service provided.	Revenue is recognised upfront at the time of receiving the application under the applicable legislation. The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition of statutory fees and charges. In 2018-19, the department recognised revenue progressively over time.

Other user charges and fees

Property rentals	Property income was mainly from EDQ's straight line lease rent revenue from industrial land and investment properties. Property income is recognised as per contractual arrangement upfront and revenue is not deferred.
Statutory fees and charges	Revenue arising from Section 25 of the *SDPWO Act* and Schedule 1B of SDPWO Regulation is recognised at the occurrence of the taxable event under AASB 1058. The taxable event is the performance of the activity outlined by Section 25 of the *SDPWO Act.* Where payment is received before the occurrence of the taxable event, the amount is recognised as contract liabilities (unearned revenue).
Other fees	Other fees primarily included fees for permitting third parties to access and use State Development Area land, fees for training/seminar/workshop provided and freedom of information application fees. The revenue is recognised upfront because there are no sufficiently specific performance obligations. The adoption of AASB 1058 *Income of Not-for-Profit Entities* in 2019-20 did not change the timing of revenue recognition for other fees.

	2020 $'000	2019 $'000
6. Grants and other contributions revenue		
Other grants and contributions:		
- Grants	116	-
- Contributions	187	780
- Goods and services received below fair value	74	536
Non-current assets received below fair value *	-	4,630
Total grants and other contributions revenue	**377**	**5,946**

* In 2018-19, this relates to land received from Department of Natural Resources, Mines and Energy.

Accounting Policy

Grants and contribution revenue agreements are not enforceable and/or not sufficiently specific and do not qualify for deferral and recognised as revenue as soon as they are controlled. The adoption of AASB 1058 *Income of Not-for-Profit Entities* in 2019-20 did not change the timing of revenue recognition of grants and other contributions revenue.

Contributions of services such as good and services received below fair value are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and expense.

Contributed physical assets are recognised at their fair value.

	2020 $'000	2019 $'000
7. Gains on disposal and remeasurement of assets		
Revaluation increment of land reversing previous revaluation decrement in operating result	-	23,583
Gain on sale of property, plant and equipment	390	778
Reversal of impairment loss on receivables	-	461
Total gains	**390**	**24,822**

Accounting policy

Gains arising from changes in the fair value of investment property are included in the operating result for the period in which they arise.

A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2020 $'000	2019 $'000
8. Supplies and services		
Contractors and consultants	38,716	46,283
Property and building expenses	18,022	19,666
Information technology and computer equipment	8,169	8,799
Shared service provider fee	2,380	2,919
Travel and hospitality	1,003	1,825
Transport	1,101	1,341
Marketing and public relations	1,741	1,944
Other	1,743	1,451
Total supplies and services	**72,875**	**84,228**

Accounting policy

Distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note 9.

Property and building expenses

Payments for non-specialised commercial office accommodation under the Queensland Government Accommodation Office (QGAO) framework arise from non-lease arrangements with the Department of Housing and Public Works, who has substantive substitution rights over the assets used within this scheme. Payments are expensed as incurred and categorised within property and building expenses.

8. Supplies and services (continued)

2018-19 policy under AASB 117 - straight-lining of leases
Property and building expenses include lease expenses. Lease expenses are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Incentives received on entering into operating leases are recognised as liabilities in Note 32 Other liabilities - Current. Lease expenses are allocated between rental expense and reduction of the liability.

	Note	2020 $'000	2019 $'000
9. Grants and contributions			
Grants:			
Queensland and local government		49,931	87,104
Industry attraction		93,491	138,596
Universities		344	200
Commonwealth agencies		292	50
COVID-19 rent relief initiatives	26	947	-
Contributions		1,615	1,343
Total grants and contributions		**146,620**	**227,293**

Accounting policy
Grants and contributions are recognised in accordance with the relevant funding agreement between the department and the recipient and are non-reciprocal. Grants are treated as an expense when the recipient can control the use of the resources or when the department's obligation for a transfer arises at that time.

	2020 $'000	2019 $'000
10. Employee expenses		
Employee benefits		
Salaries and wages[1]	85,524	89,497
Employer superannuation contributions	11,762	12,511
Annual leave levy	9,432	9,972
Sick leave	2,897	3,386
Sick leave COVID-19	3	-
Pandemic leave COVID-19	2	-
Long service leave levy	2,079	1,957
Other employee benefits	1,138	1,030
Goods and services received below fair value	74	-
	112,911	**118,353**
Employee related expenses		
Payroll tax	657	721
Workers' compensation premium	105	125
Other employee related expenses	1,554	2,294
Total employee expenses	**115,227**	**121,493**
Full time equivalent employees as at 30 June [2]:	1	946

[1] Wages and salaries includes $929,651 for $1,250 one-off, pro-rata payments of 785 full-time equivalent employees (announced in September 2019).
[2] There are 40 FTEs seconded from DSDTI to the department at 30 June 2020.

Accounting policy
Salaries and wages
Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the 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.

Sick leave
Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual leave and long service leave
Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, the department is required to pay a levy 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 leave are claimed from the schemes, quarterly in arrears.

No provision for annual leave or long service leave is recognised in the department's financial statements as the liability 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* .

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

Workers' compensation premiums
The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

11. Key management personnel (KMP) disclosures

Details of key management personnel

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. The Minister is the Minister for Regional Development and Manufacturing.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2019-20 and 2018-19. Further information about these positions can be found in the body of the Annual Report under the section relating to Governance and Executive.

Position	Position responsibility
Director-General	The Director-General is responsible for directing the overall efficient, effective and economical administration of the department and is financially responsible for the performance of the department.
Coordinator-General [1]	The Coordinator-General is responsible for planning, delivering and coordinating large-scale infrastructure projects which are of economic significance to the state and for ensuring environmental impacts are properly managed.
Deputy Director-General, Business Commercial and Performance [1]	The Deputy Director-General, Business Commercial and Performance, is responsible for enabling a high-performing department by providing systems, advice and governance to enable delivery and manage risk, opportunities, people and resources.
Assistant Coordinator-General, State Development Areas [1]	The Assistant Coordinator-General, State Development Areas, is responsible for the planning, establishment and ongoing management of State Development Areas throughout Queensland in accordance with the *State Development and Public Works Act 1971* .
Assistant Coordinator-General, Land Acquisition and Project Delivery [1]	The Assistant Coordinator-General, Land Acquisition and Project Delivery, is responsible for the delivery of all land acquisition undertaken by the Coordinator-General, and administering statutory programs under the *State Development and Public Works Act 1971* .
Assistant Coordinator-General, Coordinated Project Delivery [1]	The Assistant Coordinator-General, Coordinated Project Delivery, is responsible for managing whole of government coordination and evaluation of environmental and social impact assessments for declared 'coordinated projects' under the *State Development and Public Works Act 1971* ; assist in the delivery of major, complex project across Queensland.
Deputy Director-General, Investment Facilitation and Partnerships [1]	The Deputy Director-General, Investment Facilitation and Partnerships, is responsible for keeping a strong commercial focus to increase private sector investment in Queensland through the attraction and facilitation of private sector projects; ensuring a coordinated approach to stakeholder management strategy across the department.
Deputy Director-General, Manufacturing, Industry and Regions [1]	The Deputy Director-General, Manufacturing, Industry and Regions, is responsible for implementing the regional and industry elements of the economic strategy, coordinating state and local government responses to adverse events and leading the Department's network of regionally-based offices.
Acting General Manager, Economic Development Queensland [1]	The Acting General Manager, Economic Development Queensland, is responsible for identifying, planning, facilitating and delivering property development and infrastructure projects across
Deputy Director-General, Planning [2]	The Deputy Director-General, Planning, is responsible for the coordinated and integrated delivery of planning functions and services of the State of Queensland; management of the Queensland Government's administrative responsibilities under the *South Bank Corporation Act 1989* .
Deputy Director-General, Economic and Infrastructure Strategy [2]	The Deputy Director-General, Economic and Infrastructure Strategy, is responsible for leading a coordinated, collaborative and strategic approach to Queensland's medium economic and social prosperity through whole-of-government policy and economic strategy, a clear vision for infrastructure and sustainable economic development at regional and state levels.
Deputy Director-General, Regional Development [3]	The Deputy Director-General, Regional Development, is responsible for developing regional economic development strategies; delivering project facilitation services to priority and strategic private sector major projects; regional engagement and support through manufacturing hubs and the Manufacturing Hubs Grants Program.
Acting Deputy Director-General, Manufacturing [3]	The Acting Deputy Director-General, Manufacturing, is responsible for supporting manufacturing firms to adopt Industry 4.0 technologies and practices; administering grants programs to support growth of regional manufacturers and adoption of new technologies; upskilling of the manufacturing workforce and supporting the onshore and reshore of value-adding manufacturing activities.
Acting Deputy Director-General, Office of the Director-General and Strategic Initiatives [3]	The Acting Deputy Director-General, Office of the Director-General and Strategic Initiatives, is responsible for the Manufacturing Ministerial Committee; implementation of the Advanced Manufacturing Roadmap and Action Plan and developing other sector strategies to support the transformation of the Queensland manufacturing industry.
General Manager, Investment Strategy [4]	The General Manager, Investment Strategy, is responsible for providing strategic leadership and coordinating delivery of major new investment opportunities for Queensland.

[1] These positions were transferred to the Department of State Development, Tourism and Innovation effective 1 June 2020 as part of the machinery-of-Government change (Note 3).
[2] These positions were transferred to Queensland Treasury effective 1 June 2020 as part of the machinery-of-Government change (Note 3).
[3] These are new positions under the new department restructure effective 18 May 2020.
[4] This position is no longer recognised as KMP after November 2019.

11. Key management personnel (KMP) disclosures (continued)

KMP 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 the Minister. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the 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 Queensland Treasury's Report on State Finances.

The 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.

Remuneration expenses for 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 occupied a KMP position.
- 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 leave and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

The remuneration packages for all KMP do not provide for any non-monetary benefits, or for any performance or bonus payments.

KMP remuneration expenses

The following disclosures focus on the expenses incurred by the department attributable to non-Ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

2019-20

Position	Short-term employee expenses $'000	Long-term employee expenses $'000	Post-employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General (from 11 May 2020 to 30 June 2020) [5]	128	2	8	-	138
Director-General (from 23 August 2019 to 10 May 2020)	422	9	47	-	478
Acting Director-General (from 1 July 2019 to 23 August 2019)	83	2	5	-	90
Deputy Director-General, Regional Development (from 18 May 2020 to 30 June 2020) [6, 7]	-	-	-	-	-
Acting Deputy Director-General, Manufacturing (from 1 June 2020 to 30 June 2020)	17	-	2	-	19
Acting Deputy Director-General, Office of the Director-General and Strategic Initiatives (from 18 May 2020 to 30 June 2020) [6,8]	-	-	-	-	-
Positions transferred to DSDTI as a result of the machinery-of-Government change					
Coordinator-General (from 9 September 2019 to 31 May 2020) [9]	261	5	20	-	287
Coordinator-General (from 1 July to 22 August 2019)	132	2	11	136	282
Assistant Coordinator-General, State Development Areas (from 1 July 2019 to 31 May 2020)	214	5	24	-	242
Assistant Coordinator-General, Land Acquisition and Project Delivery (from 1 July 2019 to 31 May 2020)	184	4	21	-	209
Acting Assistant Coordinator-General, Coordinated Project Delivery (from 1 July 2019 to 31 May 2020)	202	5	21	-	228
Deputy Director-General, Manufacturing, Industry and Regions (from 1 July 2019 to 31 May 2020)	221	5	25	-	252
Deputy Director-General, Business, Commercial and Performance (from 1 July 2019 to 31 May 2020)	195	5	25	-	225
Acting Deputy Director-General, Industry Facilitation and Partnerships (from 9 September 2019 to 15 May 2020)	184	4	20	-	208
Acting General Manager, Economic Development Queensland (from 1 July 2019 to 31 May 2020)	223	5	24	-	252
Positions transferred to Queensland Treasury as a result of machinery-of-Government change					
Deputy Director-General, Planning (from 1 July 2019 to 31 May 2020)	255	6	27	-	289
Deputy Director-General, Economic and Infrastructure Strategy (from 1 July 2019 to 31 May 2020)	240	5	26	-	271
Total	**2,963**	**65**	**306**	**136**	**3,470**

[5] The remuneration for the KMPs transferred from Queensland Treasury (QT) as a result of MoG change for the year up to 10 May 2020 is disclosed in QT's Financial Statements

[6] The remuneration for the KMPs transferred from Queensland Treasury (QT) as a result of MoG change for the year up to 17 May 2020 is disclosed in QT's Financial Statements

[7] This position has been seconded from QT and total remuneration for the period 18 May 2020 to 30 June 2020 was $44,769

[8] This position has been seconded from QT and total remuneration for the period 18 May to 30 June 2020 was $29,705

[9] During the period from 23/08/2019 to 08/09/2019, the Director General also fulfilled the role of Coordinator-General

11. **Key management personnel (KMP) disclosures (continued)**

2018-19

Position	Short-term employee expenses $'000	Long-term employee expenses $'000	Post-employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General (from 13 February 2019)	178	3	16	-	197
Director-General (to 12 February 2019)	331	7	43	-	381
Coordinator-General	591	12	66	-	669
Assistant Coordinator-General (to 1 October 2018) [6]	63	2	10	-	75
Assistant Coordinator-General (from 2 October 2018 to 3 December 2018) [6]	66	1	4	-	71
Deputy Director-General, Business Commercial and Performance (formerly Business Solutions and Partnerships)	260	5	28	-	293
General Manager, Office of Investment Strategy (from 3 December 2018) & Deputy Director-General, Manufacturing and Industry Development (1 July to 2 December 2018)	264	5	28	-	297
Deputy Director-General, Manufacturing and Industry Development (from 3 December 2018 to 30 June 2019)	140	3	13	-	156
Deputy Director-General, Planning	274	6	31	-	311
Deputy Director-General, Infrastructure Policy and Planning (from 13 August 2018 to 2 December 2018) [7]	90	2	8	-	100
Deputy Director-General, Economic and Infrastructure Strategy (formerly Regional Economic Development)	226	5	23	-	254
Deputy Director-General, Investment Facilitation and Partnerships (to 12 February 2019) (formerly Industry Partnerships)	148	3	13	-	164
Deputy Director-General, Investment Facilitation and Partnerships (from 13 February 2019)	85	1	7	-	93
Deputy Director-General, Major Projects and Property (1 July 2018 to 30 November 2018) [8]	129	2	13	296	440
Acting General Manager, Economic Development Queensland	205	4	18	-	227
Total	**3,050**	**61**	**321**	**296**	**3,728**

[6] These positions ceased to be KMP following new department restructure which took effect on 3 December 2018.
[7] This position has transferred to Economic and Infrastructure Strategy group and ceased to exist following new departmental restructure which took effect on 3 December 2018.
[8] This position has ceased following new departmental restructure.

	Notes	2020 $'000	2019 $'000
12. Other expenses			
Taxes - land, rates and stamp duty		9,594	8,428
Loan - fair value adjustment		1,941	54
Sponsorships		413	272
External audit fee [1]		238	261
Insurance premiums - QGIF		191	189
Insurance premiums - other		136	246
Losses from disposal of property, plant and equipment		2,168	977
Donations and gifts		-	1
Other		256	852
Total other expenses		**14,937**	**11,280**

[1] Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are $262,000 (2019: $256,000).

		2020 $'000	2019 $'000
13. Cash and cash equivalents			
Cash at bank		137,954	112,719
Deposits at call - QTC		-	122,970
Total cash and cash equivalents		**137,954**	**235,689**

Accounting policy

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

The department has an overdraft facility with the Commonwealth Bank of Australia with an approved limit of $50 million (2019: $50 million). The operational cash at bank accounts, except for EDQ's operational bank account are grouped within the whole-of-government set-off arrangement with Queensland Treasury where interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

Interest earned on EDQ's operating bank account is remitted to EDQ on a quarterly basis. The interest rate is cash rate published by Reserve Bank Australia .

Interest earned on Queensland Treasury Corporation (QTC) accounts is remitted to the proponents to which the balance relates, as the interest is earned, except for the EDQ QTC account where interest is retained by EDQ.

	Note	2020 $'000	2019 $'000
14. Receivables			
Current			
Trade debtors		-	9,475
Loans and advances receivable - amortised cost *		-	5,819
Finance lease debtors		-	1,666
Operating lease debtors		-	1,067
Less: Loss Allowance		-	(108)
		-	17,919
Appropriation revenue for services receivable	4	-	22,964
Reimbursements		-	9,776
Equity injection receivable	4	-	102
Loans and advances receivable - fair value through profit or loss		-	1,940
Annual leave reimbursements		-	1,838
GST receivable		73	1,061
Long service leave reimbursements		-	470
Interest receivable		-	336
Other		4,890	4
Total current receivables		**4,963**	**56,410**
Non-current			
Trade debtors		-	3,436
Loans and advances receivable - amortised cost *		-	114,533
Finance lease debtors		-	5,537
Loans and advances receivable - fair value through profit or loss		-	280
Total non-current receivables		**-**	**123,787**

* As at 30 June 2019, $3.554 million of the current loans and advances and $80.681 million of the non-current loans and advances receivable was associated with loans to facilitate Catalyst infrastructure that are partially funded through borrowings with Queensland Treasury Corporation. These loans and advances were transferred-out as part of the machinery-of-Government change in 2019-20 as disclosed in Note 3.

Accounting policy
Receivables
Trade debtors, loans and advances receivable - amortised cost, finance lease receivables, and operating lease receivables are measured at amortised cost. The concessional loans and advances containing contingent repayment terms are measured at fair value through profit or loss under AASB 9.

Trade debtors are recognised at the amounts due at the time of sale or service delivery being the agreed purchase/contract price. Standard settlement terms require these amounts to be paid within 30 days from the invoice.

Where loans and advances are provided at concessional below market interest rates, they are considered to have a fair value less than the actual amount lent. Any additional amount lent above the fair value is initially recognised as a loss in the Statement of Comprehensive Income as grants and contributions expense (Note 9). The additional amount lent above the fair value on initial recognition is $356,637 (2019: $2.829 million). The notional interest income is recognised over the term of the loan as interest income. The notional interest income in the Statement of Comprehensive Income is $3.323 million (2019: $3.519 million).

The department is entitled to receive periodic repayments of lease repayments provided under finance lease agreements. The implicit interest is recognised over the term of the finance lease as interest income. The department does not retain the rights associated with the underlying assets.

Impairment of receivables
The loss allowance of trade receivables, except for receivables from Queensland Government agencies or Australian Government agencies, reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information, including forecast economic changes expect to impact the department's trade receivables, along with relevant industry and statistical data where applicable.

No loss allowance is recorded for receivables from Queensland Government agencies receivables on the basis of materiality. The receivables from Queensland Government agencies as at 30 June 2020 is $4.963 million (2019: $1.830 million).

For finance lease receivables and loans and advances receivables measured at amortised cost, the department will assess the 12-month expected credit losses if the credit risk has not significantly increased from initial recognition. Otherwise, the department will assess the lifetime expected credit losses on these receivables.

Where the department has no reasonable expectation of recovering an amount owed, the amount owed is written-off by directly reducing the receivable against the loss allowance. This occurs when the department determines that an amount owing to the department does become uncollectible (after an appropriate range of debt recovery actions). If the amount written-off exceeds the loss allowance, the excess is recognised as an impairment loss.

All known bad debts were written-off as at 30 June 2020.

Disclosure
Credit risk exposure of receivables
The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and no credit enhancements relate to receivables held by the department.

The department's credit risk exposure of receivable measured at amortised cost is determined as outlined below:

14. Receivables (continued)

Category	Assessment of expected credit losses	Information used
Trade debtors	The department uses both individual assessment and a provision matrix to measure the expected credit losses. Where a provision matrix is used, the loss rates are calculated separately for groupings of customers with similar loss patterns.	Review of historical debtor settlement period, debt collections and amount of bad debts.
Operating lease receivables	Operating lease customers with 30-day overdue payments are considered as being significantly risky and are assessed individually.	Review of historical debtor settlement period, debt collections and amount of bad debts.
Finance lease receivables	Finance lease receivables are assessed individually considering recoverability of debt and the risk of business failure.	Review of external credit reports and credit risk assessment to determine the expected fair value of the leased land and the outstanding balance of lease.
Loans and advances receivables	12-month expected credit losses are assessed on individual basis. The department's debt management policy and procedure outlines the consideration and action to take based on the days the amounts are outstanding. Individual loans are assigned with a risk level and probability of failure in the next 12 months based on external credit analysis reports.	Review of external credit reports, historical loan draw-down patterns and management assessment of the performance of the projects.

The credit risk exposure disclosure for 2020 and 2019 for receivables are not disclosed as they are not material.

Disclosure - Movement in loss allowance

	2020 $'000	2019 $'000
Loss allowance as at 1 July	(108)	(569)
Transfer due to machinery-of-Government	115	-
(Increase)/decrease in allowance recognised in operating result	(7)	461
Loss allowance as at 30 June	**(0)**	**(108)**

The movement in loss allowance relates to receivables assessed using lifetime expected credit losses methodology. There were no changes to the credit risk of operating lease receivables, finance lease receivables and loans and advances receivables since initial recognition. No allowance of impairment is recognised on these financial assets.

15. Land inventories

	2020 $'000	2019 $'000
Current		
Land held for resale	-	50,630
Total current land inventories	**-**	**50,630**
Non-current		
Land held for resale	-	318,913
Total non-current land inventories	**-**	**318,913**
Land inventories reconciliation		
Carrying amount at 1 July	369,543	308,862
Transfer due to machinery-of-Government (Note 3)	(355,683)	-
Acquisition and development costs	21,787	53,118
Cost of land sales	(27,246)	(27,813)
Transfer between asset classes	-	24,923
Transfer from other government agencies	9,400	12,611
Land inventory written off	(17,801)	(2,159)
Carrying amount at 30 June	**-**	**369,543**

Land inventories balances were transferred at fair value under machinery-of-Government change to DSDTI.

Accounting policy
Land inventories
Land held for the purpose of resale is recognised at the lower of cost and net realisable value (NRV) in accordance with AASB 102 *Inventories*. Land cost includes the cost of acquisition and development of the land to a ready-for-sale condition.

Land inventories are subject to an annual impairment review. NRVs are monitored and assessed against the cost base to ensure compliance with AASB 102 Inventories. Where NRVs have moved lower than the current carrying value, the asset is written down to the net realisable value and a Land inventory write off expense is recorded in the Statement of Comprehensive Income. Industrial land inventory NRV is independently determined every 12 months by external certified valuers. NRV for residential and urban renewal inventories are assessed by management based on project forecasts.

Following a review of the accounting practice on one property development project, the department restated land inventory of $17.092 million which, as part of the total inventory balance, was transferred out in the MoG change. Refer to restatement disclosure Note 34.

15. Land inventories (continued)

Land sales
For common land sales where buyer pays purchase price in exchange for the ownership of land, land sales revenue is recognised under AASB15 at settlement of sales contracts when the department fulfils performance obligation of transferring the property to the buyer.

Land sales revenue from development management agreements containing variable consideration component is recognised upon the fulfilment of relevant performance obligations. These contracts contain a percentage income from developers' subsequent property sales revenue. Depending on the arrangements, the department's performance obligations are fulfilled either upon sale of property to the developer for future development or sale of developed property to third party buyers.

Key estimate and judgement - Land Sales
Certain variable revenue component in sales contracts requires estimation. At each reporting period end, the department estimates the variable consideration to which it is entitled and only recognise revenue to the extent that it is highly probably a significant reversal of the revenue will not occur. This assessment is based on recent and estimated sales activity reports from the developers.

Cost of land sales
Cost of land sales is recognised in the operating result at the settlement of sales contract. Where practical, inventory sales apply a cost of goods sold allocation based on actual cost (land acquisition and development cost).

Key estimate and judgement - Cost of land sales
Residential land inventory sales apply a cost of goods sold methodology that allocates a cost value to the land sold based on an estimated gross profit percentage for the life of the project. This percentage is calculated from the business case reviews which are performed biannually on a project-by-project basis. This includes judgement in determining the future sales revenue, future development costs and timing of future cash flows for the project. Key inputs used for these forecasts are validated by management using relevant industry experts and/or observable market information.

A cost of goods sold adjustment is made to the Statement of Comprehensive Income at this time, if required, to ensure the recoverability of inventory balances will be realised. Where the forecast value of a project is below the current carrying value of inventory and future development costs, an adjustment is recognised as a reduction to the value of inventory and as a Cost of goods sold expense in the Statement of Comprehensive Income.

16. Property, plant and equipment

Closing balances and reconciliation of carrying amount
30 June 2020

	Land $'000	Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Gross	-	-	-	-	-
Less: Accumulated depreciation	-	-	-	-	-
Carrying amount at 30 June 2020	-	-	-	-	-
Represented by movements in carrying amount:					
Carrying amount at 1 July 2019	293,369	5,140	835	260	299,604
Acquisitions	8,400	1,190	-	4,139	13,729
Disposals	(20,672)	(24)	(4)	-	(20,700)
Transfer as a result of machinery-of-Government change (Note 3)	(269,129)	(3,787)	(913)	(4,082)	(277,912)
Transfers between asset classes	-	55	261	(316)	-
Transfers to right-of-use asset	(1,685)	-	-	-	(1,685)
Revaluation increments/(decrements) recognised in operating result	(10,282)	(2,078)	-	-	(12,360)
Depreciation	-	(498)	(179)	-	(677)
Carrying amount at 30 June 2020	-	-	-	-	-

30 June 2019

	Land $'000	Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Gross	293,369	7,641	3,206	260	304,476
Less: Accumulated depreciation	-	(2,501)	(2,371)	-	(4,872)
Carrying amount at 30 June 2019	**293,369**	**5,140**	**835**	**260**	**299,604**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2018	278,866	16,781	1,065	54,024	350,736
Acquisitions	1,007	-	-	15,103	16,110
Adjustment for land acquisition compensation payments	(2,575)	-	-	-	(2,575)
Adjustment for re-classification to expense	-	-	-	(2,455)	(2,455)
Disposals	(11,170)	-	-	-	(11,170)
Transfer as a result of machinery-of-Government change (Note 3)	-	-	-	(63,350)	(63,350)
Assets reclassified as held for sale	220	395	-	-	615
Transfers in/(out) from other Queensland Government entities	238	-	7	-	245
Transfers between asset classes	816	2,245	-	(3,061)	-
Transfers from investment property	27,306	-	-	-	27,306
Transfers to inventory	(24,923)	-	-	-	(24,923)
Revaluation increments/(decrements) recognised in operating result	23,583	(11,678)	-	-	11,906
Depreciation	-	(2,604)	(237)	-	(2,841)
Carrying amount at 30 June 2019	**293,369**	**5,140**	**835**	**260**	**299,604**

16. Property, plant and equipment (continued)

Categorisation of assets measured at fair value

Property, plant and equipment assets held at fair value were transferred under machinery-of-Government change to DSDTI. No fair value disclosures required for 2020.

2019	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**$'000**	**$'000**	**$'000**
Land	293,369	-	293,369
Buildings	1,861	3,279	5,140
Total recurring	**295,230**	**3,279**	**298,509**

	2020	**2019**
	$'000	**$'000**
Building level 3 fair value measurement – reconciliations		
Carrying amount at 1 July	3,279	15,139
Acquisitions	1,190	-
Disposals	(24)	-
Transfer as a result of machinery-of-Government change (Note 3)	(1,858)	-
Transfers between asset classes	55	2,245
Revaluation increments/(decrements) recognised in operating result	(2,261)	(11,603)
Depreciation	(381)	(2,502)
Carrying amount as 30 June	**-**	**3,279**

None of the department's valuation of assets are eligible for categorisation into Level 1 of the fair value hierarchy.

Transfers between levels
There were no transfers between levels within the same class during the reporting period (2019: Nil).

Accounting policy
Capitalisation and recognition thresholds for property, plant and equipment
Items of property, plant and equipment with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as Property, plant and equipment in the following classes:

- Land	$	1
- Buildings	$	10,000
- Plant and equipment	$	5,000

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

Acquisitions of assets
Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the transferor immediately prior to the transfer.

Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

Depreciation of property, plant and equipment
Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less any estimated residual value, progressively over its estimated useful life to the department. Land is not depreciated as it has an unlimited useful life to the department.

Key judgement
Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the department.

Any 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 construction is complete and the asset is first put to use or is ready for its intended use, whichever is earlier. These assets are then reclassified to the relevant class within property, plant and equipment.

For the department's depreciable assets, the estimated amount to be received on disposal at the end of their useful life (residual value) is determined to be zero.

Key estimate
Depreciation rates are assessed annually and the following rates apply for each class of depreciable asset:

Asset class and category	**2020 Rate %**	**2019 Rate %**
Buildings	1.67% - 12.50%	1.67% - 14.29%
Plant and equipment	3.70% - 33.33%	3.70% - 33.33%

16. Property, plant and equipment (continued)

Measurement of property, plant and equipment

Land and buildings are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation. The cost of items acquired during the financial 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 historical cost in accordance with Queensland Treasury' Non-Current Asset Policies for the Queensland Public Sector. The carrying amounts for such plant and equipment are not materially different from their fair value.

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment constructed in house are recorded as work in progress until completion of the project using all direct and indirect costs, where the latter are reliably attributable. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

Fair value measurement

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets being valued. Significant unobservable inputs used by the department include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the department's assets, internal records of recent construction costs (and/or estimates of such costs) assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets.

Fair value measurement hierarchy

All property, plant and equipment is categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent valuations:

Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets;

Level 2 – represents fair value measurements that are substantially derived from inputs that are observable, either directly or indirectly; and

Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Revaluation of property plant and equipment measured at fair value

Property, plant and equipment classes measured at fair value are assessed on an annual basis either by appraisals undertaken by an independent professional valuer or by use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is overseen by the Chief Finance Officer, who determines the specific revaluation practices and procedures in conjunction with the asset managers.

Revaluations using an independent professional valuer on a four year rolling basis. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

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.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. An independent professional valuer supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to the valuer. The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by performing a benchmarking exercise with publicly available relevant indices. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by the valuer based on the department's own particular circumstances.

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 class.

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'.

Land

The department holds land throughout Queensland for various purposes including future economic development opportunities, a specific community or economic need, or for rezoning purposes.

The department engaged State Valuation Services (SVS) to undertake rolling comprehensive revaluations of 25% of the asset portfolio over four years, except for EDQ whose asset portfolios are comprehensively revalued annually. SVS used the comprehensive revaluation results as at 1 June 2020 to derive a desktop index on 25% of the asset portfolio, while a standard index is used for the remaining 50% of the assets with an effective date of 1 June 2020. The department ensures that the application of such indices results in a valid estimation of the asset's fair values at reporting date. Where the land held was within a State Development Area (SDA) at reporting date, identification of land use type was determined in consultation with the SDA team who administer the *State Development and Public Works Organisation Act (1971)* . Indices and values supplied by SVS are tested for reasonableness. All balances were transferred to DSDTI at fair value on 1 June 2020.

Fair value was determined through direct comparison with the sales history of similar properties based on location, area, access and topography. SVS also considered the characteristics of the asset, any restrictions and highest and best use in the assessment of fair value.

In accordance with AASB 13 *Fair Value Measurement* , the department's land assets are generally categorised as Level 2.

16. Property, plant and equipment (continued)

Buildings

Buildings were revalued using either the income approach or market approach depending on their use, with an effective valuation date of 1 June 2020.

The buildings revalued using market approach is revalued on a four year rolling program. The department engaged SVS to perform the rolling comprehensive valuations. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. Where the asset is not comprehensively valued in the reporting period, SVS uses the Cordell Housing Price Index for residential assets. This index is specific to Queensland house price movements (observable market data) and was considered the most appropriate index to use for residential housing specific to Queensland properties. For building improvements, SVS uses the Queensland Treasury Office of Economic and Statistical Research (QT OESR) Implicit Price Deflator as this is the most appropriate for these particular assets.

The department is a lessor to rental agreements on various properties. Due to the department's current strategy for these buildings and zoning regulations, the fair value is determined using the income approach, calculated using the present value of future cash flows. The Queensland Treasury Corporation zero coupon rates are used to calculate the present value.

Impairment of non-current assets

All non-current physical 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. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and current replacement cost. Where the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recorded.

	2020 $'000	2019 $'000
17. Investment property		
Land and buildings - at fair value	-	228,113
Total investment property	**-**	**228,113**
Reconciliation of movement in investment property		
Carrying amount at 1 July	228,113	250,575
Acquisitions	-	995
Transfer as a result of machinery-of-Government change (Note 3)	(226,305)	4,600
Movement on revaluation through income statement	(1,456)	(642)
Reclassification between investment property and land	-	(27,306)
Disposals	(351)	(108)
Carrying amount at 30 June	**-**	**228,113**

Rental income from investment property is recognised as income on a periodic straight-line basis over the term of the lease. Rental income recognised in the operating result is $5.392 million (2019: $4.288 million).

Direct operating expenses primarily for repairs and maintenance on property that generated rental income for the period were $1.745 million (2019: $2.072 million). There were no direct operating expenses on property that did not generate rental income.

There are no other restrictions on the realisability of investment property and the remittance of income and proceeds of disposal.

Categorisation of investments measured at fair value

Investment property balances held at fair value were transferred under machinery-of-Government change to DSDTI. No fair value disclosures required for 2020.

	Level 2 $'000	Level 3 $'000	Total $'000
2019			
Land	225,348	10,535	225,883
Buildings	-	2,230	2,230
Total	**225,348**	**12,765**	**228,113**

Accounting policy

Investment property is property held for capital appreciation and/or earn rental returns. It is initially recognised at cost including development costs. Where investment property is acquired at no or minimal cost, it is recognised at fair value. Investment property is subsequently carried at fair value, being subject to valuations on an annual basis where significant market movements have occurred. The valuation method is based on selling prices in an active property market adjusted, if necessary, to reflect the nature, location or condition of the specific investment property.

Common costs on investment property are allocated based on lot size.

Gains or losses arising from changes in the fair value of investment property are included in the operating result for the period in which they arise.

Key judgement

In determining the investment land values the following factors are considered:

- the highest and best use given the legal and zoning restrictions and any other restrictions outside the control of the department, and
- the probability of any of the restrictions being changed in the future.

The department engaged State Valuation Services (SVS) to undertake comprehensive valuation on all land assets under investment and land assets with perpetual lease term. Management assesses and confirms the relevance and suitability of market inputs provided by SVS. The land assets under investment are categorised as level 2 in accordance with the fair value hierarchy.

The comprehensive valuations of Investment property assets with a perpetual lease have been significantly discounted. The discount is applied due to the inability to freehold and restrictions on use.

Investment buildings and investment property land assets with a term lease were valued using the discounted cash flow method incorporating forecast rental cash flows.

The investment building assets and right-of-use land assets with a term lease are categorised as level 3 in accordance with the fair value hierarchy.

18. Intangible assets

Closing balances and reconciliation of carrying amount
30 June 2020

2020	Software purchased $'000	Software internally generated $'000	Other intangibles $'000	Work in progress $'000	Total $'000
Gross	-	-	-	-	-
Less: Accumulated amortisation	-	-	-	-	-
Carrying amount at 30 June 2020	**-**	**-**	**-**	**-**	**-**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2019	-	5,469	10,422	573	16,464
Acquisitions	-	-	-	357	357
Transfer as a result of machinery-of-Government change (Note 3)	-	(4,143)	(10,422)	(623)	(15,187)
Amortisation	-	(1,634)	-	-	(1,634)
Transfers between asset classes	-	308	-	(308)	-
Carrying amount at 30 June 2020	**-**	**-**	**-**	**-**	**-**

2019	Software purchased $'000	Software internally generated $'000	Other intangibles $'000	Work in progress $'000	Total $'000
Gross	150	10,972	10,422	573	22,117
Less: Accumulated amortisation	(150)	(5,503)	-	-	(5,653)
Carrying amount at 30 June 2019	**-**	**5,469**	**10,422**	**573**	**16,464**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2018	-	7,303	10,417	-	17,720
Acquisitions	-	-	5	573	578
Amortisation	-	(1,834)	-	-	(1,834)
Carrying amount at 30 June 2019	**-**	**5,469**	**10,422**	**573**	**16,464**

All intangible assets have been tested for impairment.

Accounting policy
Recognition and measurement of intangibles
Intangible assets of the department comprise software purchased, software internally generated, and easements. Intangible assets with a cost or value equal to or greater than $100,000 (including network assets) are recognised in the financial statements. Items with lesser value are expensed.

Network assets, recognised as Other intangibles, include items with an individual value of less than $100,000 which are capitalised if collectively they exceed the recognition threshold. A network asset is a chain of interconnected but dissimilar assets connected for the provision of the one simultaneous service, such as easements.

There is no active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the internal development of computer software are capitalised and amortised under the amortisation policy below. No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Amortisation expense
Software has finite useful life and is amortised on a straight-line basis over the period of the expected benefit to the department, which is five to seven years. Other intangible assets (easements) are not amortised as they have indefinite useful lives.

	2020 $'000	2019 $'000
19. Income tax equivalents		
(a) Income tax equivalent expense/(benefit)		
Current tax	(7,283)	(2,205)
Deferred tax	(2,106)	12,001
Under/(over) provision in previous years	3,585	-
Prior year restatements	-	1,296
Balance as at 30 June	**(5,804)**	**11,092**
(b) Numeric reconciliation of income tax equivalent expense to prima facie tax payable		
(Profit)/loss before tax	32,886	(20,442)
Tax expense/(benefit) at the Australian tax rate of 30%	(9,866)	6,133
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:		
Write down on asset transfers	-	6,194
Exempt gain on equity transfer	477	(1,138)
Under/(over) provision in previous years	3,585	(97)
Income tax equivalent expense/(benefit)	**(5,804)**	**11,092**
(c) Non-current assets - deferred tax equivalent asset		
The balance comprises temporary differences attributable to:		
Transfer due to machinery-of-Government change (Note 3)	(26,516)	-
Allowance for doubtful debts	34	32
Accrued expenses	4,838	6,040
Written down value of other capitalised expenses	21	31
Building accumulated depreciation	840	740
Building accumulated impairment/devaluation	4,118	3,475
Capital asset impairment	618	618
Concessional loan discount	6,227	7,116
Deferred fee income	332	1,167
Capital losses carried forward	-	6,327
Prior year tax losses carried forward	2,205	-
Current tax losses carried forward	7,283	2,205
Balance as at 30 June	**-**	**27,752**
(d) Current liabilities - income tax payable/(receivable)		
Balance at the beginning of the year	4,848	3,065
Transfer due to machinery-of-Government change (Note 3)	(3,003)	-
Income tax equivalent paid	(1,838)	(3,662)
TFN Credits	(6)	-
Recognised in operating result	-	-
Prior year restatements	-	5,365
Under/(over) provision in previous years	-	80
Balance as at 30 June	**-**	**4,850**
(e) Non-current liabilities - deferred tax equivalent liabilities		
The balance comprises temporary differences attributable to:		
Transfer due to machinery-of-Government change (Note 3)	(87,029)	-
Land revaluations	37,539	42,104
Inventories	5,310	6,622
Investment property	39,354	39,314
Grants receivable	4,827	6,029
Balance as at 30 June	**-**	**94,070**

19. Income tax equivalents (continued)

Accounting policy

The department is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Australian Government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). As such, input tax credits receivable from and GST payable to the Australian Taxation Office are recognised. From 1 July 2014 all Queensland Government departments were exempted from payroll tax. This exemption is not extended to commercial business units, such as EDQ.

Pursuant to the National Tax Equivalents Regime, the department's commercialised business unit, EDQ is required to make payments to the Queensland Government equivalent to the amount of any Australian Government income tax for which an exemption is not received.

The income tax equivalent benefit for the period is the tax payable on the current period's taxable income based on the national tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

AASB 112 *Income Taxes* uses a 'balance sheet approach' of calculating income tax balances. This approach recognises the difference between the carrying value of an asset or liability and its tax base. The differences are recognised at the tax rate expected to be applied when the assets are recovered or liabilities settled.

If applicable, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

	Note	2020 $'000	2019 $'000
20. Payables			
Trade creditors		4,010	90,529
Taxes - land, rates and stamp duty payable		-	10,672
Grants payable		-	9,835
Interest payable		-	33
Fringe benefits tax		-	101
Deferred appropriation payable to Consolidated Fund	4	124,786	-
Other		229	288
Total payables		**129,025**	**111,458**
Non-current			
Trade creditors		-	39,028
Grants payable		-	(39,028)
Total non-current payables		**-**	**-**
Total payables		**129,025**	**111,458**

Accounting policy

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.

Following a review of infrastructure charges, management determines that those charges should be recognised as provisions rather than payable. Please refer Note 22 for more detail.

EDQ is required under the Queensland Treasury's Commercialisation of Government Business Activities in Queensland Policy Framework to recognise tax equivalents payments and payments in lieu of stamp duty, land tax and local government rates. Calculation and recognition of tax equivalents ensures EDQ is not advantaged relative to its private sector counterparts. Payments are required to be made to the Queensland Government's Consolidated Fund and are determined on a self-assessment basis giving proper regard to current rates and charges applicable.

	2020 $'000	2019 $'000
21. Borrowings		
Current		
QTC borrowings	-	15,090
Total current borrowings	**-**	**15,090**
Non-current		
QTC borrowings	-	98,727
Total non-current borrowings	**-**	**98,727**
Total borrowings	**-**	**113,817**

In 2018-19, all borrowings by the department were from the Queensland Treasury Corporation (QTC). Final repayment dates vary from December 2020 to October 2033, with a fixed interest rate range of 2.50% to 3.23% per annum. There were no defaults or breaches of the loan agreement during the 2018-19 financial year. No assets have been pledged as security for any borrowings. As a result of the MoG change, all borrowings by the department were transferred to DSDTI.

For 30 June 2019, the undrawn facility limit was $136.259 million.

Accounting Policy

QTC borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, where appropriate, a shorter period) to the net carrying amount of that instrument.

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

The department does not enter into transactions for speculative purposes, nor for hedging. No financial liabilities are measured at fair value through profit or loss.

	2020 $'000	2019 $'000
22. Provisions		
Current		
Land acquisition claims	-	23,438
Infrastructure development	-	16,460
Other provision	-	15,906
Total current provisions	**-**	**55,804**
Non-current		
Infrastructure development	-	37,452
Total non-current provisions	**-**	**37,452**
Movements in provisions		
Balance at 1 July	93,255	108,501
Additional provision recognised	25,834	53,431
Restatement of provision	429	(268)
Reduction in provision as a result of payments	(38,770)	(68,408)
Transfer as a result of machinery-of-Government change (Note 3)	(80,747)	-
Balance as at 30 June	**-**	**93,256**

Accounting policy

Provisions are recorded when the department has a present obligation, either legal or constructive, as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Refer to Note 34 for details of prior period adjustments made to comparative year.

Key estimates

The department acquires land through compulsory acquisition in accordance with the *Acquisition of Land Act 1967* using the Coordinator-General's powers as contained in the *State Development and Public Works Organisation Act 1971*. The department pays compensation for land acquired in accordance with this legislation when an agreement is reached between the land owner and the Coordinator-General through the execution of a section 15 Compensation Agreement. Prior to the execution of a section 15 Compensation Agreement, the department recognises a provision to account for the compensation it expects to pay for all land resumptions.

The department collects infrastructure charges from developers in Priority Development Areas (PDAs) under the *Economic Development Act 2012*. Charges are payable based on projected growth and network modelling undertaken for water, sewer, transport, parks, community facilities and stormwater networks. Under the Act all infrastructure charges collected for a specific PDA must be spent on infrastructure delivery in the same PDA.

The department has an obligation to fund costs associated with the conversion of specific buildings into residential units and income support. The estimate of future costs has been recognised as a provision.

	2020 $'000	2019 $'000
23. Other liabilities		
Current		
Deposits held[1]	-	15,994
Security deposits[2]	-	1,572
Unearned revenue	-	7,332
Other	-	519
Total current other liabilities	**-**	**25,417**
Non-current		
Security deposits	-	5,000
Other[3]	-	4,807
Total non-current other liabilities	**-**	**9,807**

[1] For 2018-19, this relates to deposit held for land resumptions. The department acquires land through compulsory acquisition in accordance with the *Acquisition of Land Act 1967* using the Coordinator-General's powers as contained in the *State Development and Public Works Organisation Act 1971*.

[2] For 2018-19, this relates to security deposits held to secure the performance of developers' obligations under development management agreements and held as security as required under these agreements. Deposits are released when contractual obligations are satisfied.

[3] The other liabilities in 2018-19 relates to straight line lease liabilities in relation to properties leased from DHPW. These have been derecognised with the implementation of AASB16 *Leases* as disclosed in Note 1.

Other liabilities balances were transferred out of the department as a result of machinery-of-Government change detailed in Note 3.

Accounting policy

Other liabilities are recognised in accordance with contract terms.

Unearned revenue is recognised by identifying the portion of up-front payment unearned as at 30 June.

24. Leases

A new accounting standard AASB 16 *Leases* came into effect in 2019-20, resulting in significant changes to the department's accounting for leases for which it is lessee. The transitional impacts of the new standard and the department's newly adopted lease accounting policies in 2019-20 are disclosed in Note 1.

	2020 $'000
Closing balances and reconciliation of carrying amount	
Carrying amount at 1 July	-
Additions to right-of-use assets	1,685
Transfer due to machinery-of-Government change (Note 3)	(1,685)
Derecognition of right-of-use assets	-
Carrying amount at 30 June	**-**

Leases as lessor

Finance leases

The leases currently recognised as finance leases are for property on which all the risks and rewards of ownership have passed to the lessee. The finance leases are predominantly held over industrial properties. Lessees are required to pay the principal, being the fair value of the land at the commencement of the finance lease, and an interest component calculated on the remaining balance payable. The finance leases are administered by DNRME under the *Land Act of 1994* on behalf of EDQ.

Operating leases

EDQ has land and investment property assets that are leased out predominately for industrial purposes. Majority of the leases are administered by DNRME under the *Land Act of 1994* on behalf of EDQ. Under the *Land Act of 1994* , the parties leasing these properties can terminate the lease with 28 days' notice or make an application to purchase the land. The amount payable to purchase the land is the market value of the land. The leases are granted on terms of between 1 year and in perpetuity. Refer to Note 17 for additional disclosures about investment properties.

EDQ has entered into a lease with contingent income. The lease income is calculated by applying a predetermine rate against the lessee's turnover. The total contingent rent recognised as property rentals in Note 5 was $660,584 (2019: $1,138,312.82).

The following table sets out a maturity analysis of future undiscounted lease payments receivable under the department's operating and finance leases in 2019. These leases were transferred-out in 2019-20 as part of machinery-of-Government change as disclosed in Note 3.

	Operating leases 2019 $'000	Finance leases 2019 $'000
Less than 1 year	10,786	2,152
1 to 2 years	8,366	1,562
2 to 3 years	7,217	1,430
3 to 4 years	6,550	1,298
4 to 5 years	6,529	476
More than 5 years	31,769	2,251
Total	**71,217**	**9,169**

Accounting policy

Leases of lessor

The department recognises lease payments from operating leases as income on a straight-line basis over the lease term.

Key Judgement

Due to lessors of operating leases being able to terminate the leases with 28 days notice, or make application to purchase the land, it is assumed that operating lease have a maximum expiry of 10 years from the reporting date.

25. Budgetary reporting disclosures

Queensland Treasury's Financial Reporting Requirements published for Queensland Government Agencies would ordinarily require actual results to be compared against the SDS adjusted budget. Due to the COVID-19 response suspending the budget process there has been no adjusted budget presented to parliament. As such the original budget figures are presented as the comparator to actual results with explanations of major variances in respect of the department’s Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

Following the Machinery of Government changes, the Department of State Development, Manufacturing, Infrastructure and Planning was renamed the Department of Regional Development and Manufacturing. As a result of *Public Service Departmental Arrangements Notice (No. 1) 2020* on 11 May 2020, functions were transferred out of the department, effective 1 June 2020. For further information on the extent of all changes, please refer to Note 3.

Subject to the line item's materiality, explanations have been provided, at a minimum, for the following variances that are larger than 5% of the original budgeted figure for:
- Employee expenses (Statement of Comprehensive Income);
- Supplies and services (Statement of Comprehensive income); and
- Payments for property, plant and equipment (Statement of Cash Flows).

For all other material line items, major variances have been assessed as meeting the following criteria:
- The line item within the Statement of Comprehensive Income is material where the variance is less than or greater than 10% of the budget plus where the total value of the line item is also greater than 1% of total expenses;
- The line item within the Statement of Financial Position is material where the variance is less than or greater than 10% of the budget plus where the total value of the line item is also greater than 5% of total assets; or
- The line item within the Statement of Cash flows is material where the variance is equal to or greater than 10% of the budget plus where the total value of the line item is also greater than 5% of total inflows or total outflows for the relevant cash flow category.

Explanations of major variances - Statement of Comprehensive Income

Appropriation revenue	The decrease of $163.636 million is primarily due to: - Transfer of appropriation to the Department of State Development, Tourism and Innovation (DSDTI) of $126.591 million and to Queensland Treasury (QT) of $8.110 million, as a result of the May 2020 machinery-of-Government changes. - Supplies and Services costs lower than budgeted of $19.398 million for the three Regional Manufacturing Hubs, Aurukun Barge Service Project, Defence, Investment Transaction Projects, North West Minerals Province, Regional Defence Hubs, Biomedical and other departmental projects. - Grants and subsidies payments lower than budgeted of $7.973 million due to delays as a result of COVID-19 pandemic for the following projects and programs: Building our Regions, Made in Queensland, Resource Recovery Industry Development Program, the Commonwealth Games village, Biofutures, Royalties for Regions and Maturing Infrastructure Pipeline Program grants programs.
Land sales	The decrease of $44.266 million is primarily due to lower than budgeted EDQ land sales for development projects relating to subdued property market conditions and delayed timings of land sales following the impact of COVID-19. Major variances include Yeerongpilly $2.900 million, Yeronga $2.000 million, Gold Coast Health and Knowledge Precinct $7.800 million, Northshore Hamilton $3.000 million, Carseldine Urban Village $3.700 million, Oxley $2.700 million and Industrial estates of $19.300 million.
Interest	The decrease of $3.298 million is primarily due to 11 months of actuals compared to 12 months of budget as result of the May 2020 machinery-of-Government changes.
Supplies and services	The decrease in Supplies and Services of $51.593 million is primarily due to: - transfer of actual expenses and the budget balances for June 2020 of $13.072 million to DSDTI and of $4.598 million to QT as part of the May 2020 machinery-of-Government changes. - lower costs than budgeted of $19.398 million for the three Regional Manufacturing Hubs, Aurukun Barge Service Project, Defence, Investment Transaction Projects, North West Minerals Province, Regional Defence Hubs, Biomedical, and other departmental projects.
Grants and contributions	The decrease of $115.589 million is primarily due to: - transfer of actual expenses and budget balances for June 2020 of $106.916 million to DSDTI and of $780,000 to QT as part of the May 2020 machinery-of-Government changes. - payments lower than budgeted by $7.973 million due to delays as a result of COVID-19 pandemic for the following projects and programs: Building our Regions, Made in Queensland, Resource Recovery Industry Development Program, the Commonwealth Games village, Biofutures, Royalties for Regions and Maturing Infrastructure Pipeline Program grants programs.
Employee expenses	The decrease in employee expenses of $6.458 million is primarily due to: - transfer of actual expenses and budget balances for June 2020 of $7.776 million to DSDTI and of $3.212 million to QT as part of the May 2020 machinery-of-Government changes. - lower EDQ employee expenses of $1.425 million are due to delays in the recruitment for vacant positions.
Revaluation decrement	The increase of $13.816 million primarily relates to the revaluation of department land and EDQ investment properties that are not budgeted for.
Finance and borrowing costs	The decrease of $3.518 million is primarily due to 11 months of actuals compared to 12 months of budget as result of the May 2020 machinery-of-Government changes.
Cost of land sales	The decrease of $19.354 million is primarily due to EDQ sales: - $19.986 million lower cost of sales as a result of lower land sales, offset by the following unbudgeted items - $2.311 million decrease for adjustments for AASB15 adoption at MOG - $1.901 million decrease adjustment for Northshore Hamilton cost of goods sold - $6.907 million increased residential inventory adjustments to reflect reduced future sales revenue.
Land inventory written off	The increase of $17.801 million primarily relates to EDQ's inventory impairment of $15.522 million at Yeronga and $1.705 million at Yeppoon, which are unbudgeted items.
Other expenses	The increase in other expenses of $4.549 million is primarily due to: - a fair value adjustment of $1.946 million for the Biofutures Industry Development Fund (BIDF). - an unbudgeted loss on sale of $2.000 million recorded by EDQ under the *Land Act 1994*.

25. Budgetary reporting disclosures (continued)

Income tax equivalents	The increase of $4.576 million is due to EDQ's lower than budgeted operating result.

Explanations of major variances - Statement of Financial Position

Non-current Receivables	The $209.643 million decrease is primarily due to the transfer of actual receivables to DSDTI and QT as a result of the May 2020 machinery-of-Government changes.
Non-current Land Inventories	The $324.086 million decrease is primarily due to the transfer of actual land inventories to DSDTI as a result of the May 2020 machinery-of-Government changes.
Non-current Property, plant and equipment	The $295.380 million decrease is primarily due to the transfer of actual property, plant and equipment to DSDTI as a result of the May 2020 machinery-of-Government changes.
Non-current Investment property	The $249.875 million decrease is primarily due to the transfer of actual investment property to DSDTI as a result of the May 2020 machinery-of-Government changes.
Payables	The $35.328 million increase is primarily due to the May 2020 machinery-of-Government changes for the recognition of appropriation payable to DSDTI.
Current Other liabilities	The $72.954 million decrease is primarily due to the transfer of actual current other liabilities to DSDTI and to QT as a result of the May 2020 machinery-of-Government changes.
Non-current Borrowings	The $130.035 million decrease is primarily due to the transfer of actual non-current borrowings to DSDTI as a result of the May 2020 machinery-of-Government changes.
Non-current Deferred tax equivalent liability	The $74.274 million decrease is primarily due to the transfer of actual non-current deferred tax equivalent liability to DSDTI as a result of the May 2020 machinery-of-Government changes.

Explanations of major variances - Statement of Cash Flows

Inflows:	
Land sales	The decrease of $44.266 million is primarily due to lower than budgeted EDQ land sales for development projects relating to subdued property market conditions and delayed timings of land sales following the impact of COVID-19.
Outflows:	
Grants and contributions	The decrease of $103.221 million is primarily due to payment delays as a result of inclement weather and the COVID-19 pandemic for a number of grants programs such as Building our Regions, Made in Queensland, Resource Recovery Industry Development Program, Advance Queensland Industry Attraction Fund and the Jobs and Regional Growth Fund.
Inflows:	
Sales of property, plant and equipment	The increase of $8.700 million primarily relates to EDQ's higher than budgeted lease freeholding conversions.
Loans and advances redeemed	The increase of $4.717 million is due to EDQ's loan redemptions relating to the Catalyst Infrastructure Program and catalyst loans.
Outflows:	
Payments for property, plant and equipment	The decrease of $2.744 million is due to 11 months of actuals compared to 12 months of budget as a result of the May 2020 machinery-of-Government changes.
Loans and advances made	The increase of $18.479 million primarily relates to the transfer of EDQ actuals to DSDTI as part of the May 2020 machinery-of-Government changes.
Inflows:	
Proceeds from borrowings	The increase of $10.447 million is due to EDQ's revised timing of development project debt.
Outflows:	
Equity withdrawals	The decrease of $3.260 million is primarily due to the May 2020 machinery-of-Government changes.
Borrowing redemptions	The decrease of $10.809 million is due to EDQ's revised development activity and lower sales which has resulted in lower loan repayments.
Cash and Cash Equivalents – closing balance	The decrease of $28.773 million is primarily due to the May 2020 machinery-of-Government changes with DSDTI and QT.

26. Significant financial impacts from COVID-19 Pandemic

The following significant transactions were recognised by the department during 2019-20 financial year in response to the COVID-19 pandemic.

	2020 $'000
Operating Statement	
Significant expense transactions arising from COVID-19	
Asset revaluation decrements/(increments) attributable to COVID-19 impacts	4,125
	4,125

Other significant revenue impacts arising from COVID-19
The department has supported industries through rent relief programs where Economic Development Queensland (EDQ) was mainly impacted. Rent foregone was $0.947 million.

Balance Sheet	
Significant changes in assets/liabilities arising from COVID-19	
Asset revaluation (decrements)/increment attributable to COVID-19 impacts	(4,125)
	(4,125)

The department has implemented working from home practices along with social distancing and other safe work practices during the pandemic in line with relevant health directives.

[1] The department has an obligation to provide financial support to proponents. Due to COVID-19 the department has increased the total estimated amount resulting in an increase in provision.

27. Commitments

	2020 $'000	2019 $'000
Capital expenditure commitments		
Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
Capital works in progress		
- Not later than 1 year	-	24,789
- Later than 1 year and not later than 5 years	-	12,854
- Later than 5 years	-	13,640
Total capital expenditure commitments	**-**	**51,283**
Grants and contributions expenditure commitments		
Grants and contributions commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
- Not later than 1 year	18,107	213,367
- Later than 1 year and not later than 5 years	3,423	56,377
- Later than 5 years	-	5,219
Total grants and contributions expenditure commitments	**21,530**	**274,963**
Other expenditure commitments		
Other expenditure commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
- Not later than 1 year	781	12,067
- Later than 1 year and not later than 5 years	-	2,895
- Later than 5 years	-	-
Total other expenditure commitments	**781**	**14,962**
Non-cancellable operating lease commitments		
Operating lease commitments in 2018/19 under AASB 117 disclosure.		
Within 1 year	-	13,779
Later than 1 year but not later than 5 years	-	73,383
Later than 5 years	-	139,087
	-	**226,249**

28. Contingencies

Guarantees and undertakings

The following contingencies reported in the 2018-19 period were transferred-out due to machinery-of-Government change as disclosed in Note 3.

- The department holds bank guarantees in relation to the Advance Queensland Industry Attraction Fund (AQIAF) for financial security against non-conformance of grant agreements. The total value of bank guarantees for five grants within AQIAF as at 30 June 2019: $17.536 million.
- EDQ holds bank guarantees in relation to development projects for financial security against non-conformance of contracts. The total value of bank guarantees held by EDQ as at 30 June 2019: $91.153 million.
- EDQ provided financial guarantees of $1.349 million for security over the contractual performance obligations for electrical and stormwater augmentation works as at 30 June 2019.
- Other bank guarantees and bonds are held for financial support provided on projects across the department. The total value of bank guarantees and bonds held for these projects as at 30 June 2019: $14.619 million.
- At 30 June 2019, $11.000 million in cash is held by the department as security under the *State Development and Public Works Organisation Act 1971* , to ensure liability to the state is minimised should proponents fail to perform their contractual obligations. Interest is accrued on cash balances held and will be paid out when the security deposit is returned. At reporting date, it is not possible to determine the extent or timing of any potential financial effect of this responsibility.

28. Contingencies (continued)

Litigation in progress
At 30 June 2019 there was one claim for costs through the Queensland Government Insurance Fund (QGIF). There is no claim at 30 June 2020. Under QGIF, the department would be able to claim back the amounts paid for claims, less a $10,000 deduction.

29. Events occurring after balance date

The department's financial statements are expected to be impacted by the COVID-19 programs beyond 30 June 2020, although the actual impacts cannot be reliably estimated at the reporting date.

30. Financial instruments
Financial instrument categories
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument.

The department's financial assets are classified, at initial recognition, and subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial asset receivables at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. The department has the following categories of financial assets and financial liabilities:

	Note	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	13	137,954	235,689
Financial assets at amortised cost - comprising:			
Receivables	14	4,963	177,977
Financial assets at fair value through profit or loss - comprising:			
Receivables	14	-	2,220
Total financial assets		**142,917**	**415,886**
Financial liabilities			
Financial liabilities measured at amortised cost - comprising:			
Payables	20	129,025	111,458
Borrowings	21	-	113,817
Other liabilities *	23	-	22,566
Total financial liabilities at amortised cost		**129,025**	**247,841**

* Other liabilities only include deposits held and security deposits
No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

Financial risk management
(a) Risk exposure
Financial risk management is implemented pursuant to Queensland Government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under policies approved by the department which relate to financial arrangements. The department's activities expose it to a variety of financial risks as set out in the following table:

Risk exposure	Definition	Exposure
Credit risk	The risk that the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The department is exposed to credit risk in respect of its receivables in Note 14.
Liquidity risk	The risk that the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in respect of its payables in Note 20 and borrowing from QTC in Note 21.
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. *Interest rate* risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.	The department is not materially exposed to changes in commodity prices, foreign currency or other price risk. The department is exposed to interest rate risk through its borrowing from QTC, cash deposited in interest bearing accounts and interest bearing loans and advances. The market risk is immaterial in relation to finance lease receivables due to the significantly lower interest rates stipulated in the lease contracts. The interest is recognised as time value of money.

(b) Risk measurement and management strategies
The department measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method	Risk management strategies
Credit risk	Ageing analysis	The department manages credit risk through the use of a credit management policy articulated in the department's Financial Management Practice Manual. This policy aims to reduce the exposure to credit default by assessing whether the customer has the ability and willingness to pay amounts owing to the department in an approved timeframe. The department monitors all funds owed on a monthly basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity risk	Sensitivity analysis	The department manages liquidity risk through the use of an Under Treasurer approved overdraft limit on the department's controlled bank account. This overdraft limit reduces the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held in the department's bank account to match the expected duration of the various employee and supplier liabilities.
Market risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest rate risk and manages its risk as per the department's Financial Management Practice Manual.

30. Financial instruments (continued)

Liquidity risk - Contractual maturity of financial liabilities

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 the reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that is based on discounted cash flows.

Financial liabilities	2020 payable in			
2020	< 1 year $'000	1–5 years $'000	> 5 years $'000	Total $'000
Payables	129,025	-	-	129,025
Total	**129,025**	**-**	**-**	**129,025**

	2019 payable in			
2019	< 1 year $'000	1–5 years $'000	> 5 years $'000	Total $'000
Payables	111,458	-	-	111,458
Borrowings	3,394	35,473	91,076	129,943
Other liabilities	17,566	4,000	1,000	22,566
Total	**132,419**	**39,473**	**92,076**	**263,968**

Fair value measurement

The department does not recognise any financial assets or financial liabilities at fair value other than loans and advances measured at fair value through profit or loss. The loans and advances measured at fair value through profit or loss is measured under Level 2.

The level 2 financial assets above are measured at net realisable value.

In 2019-20, deposits at call were transferred out as part of the machinery-of-Government change as disclosed in Note 3. Therefore, there are no disclosures for 2019-20.

Fair value disclosures for financial liabilities measured at amortised cost

With the exception of QTC borrowings, the carrying amount of financial liabilities measured at amortised cost approximates their fair value at reporting date.

The fair value of borrowings is notified by the QTC and is calculated using discounted cash flow analysis and the effective interest rate. They are categorised as level three fair values within the fair value hierarchy.

	2019	
	Carrying amount $'000	Fair value $'000
Financial liabilities at amortised cost:		
QTC borrowings	113,817	116,400
Total	**113,817**	**116,400**

Except as detailed above, the carrying value of financial assets and financial liabilities approximate their fair value.

In 2019-20, QTC borrowings were transferred out as part of the machinery-of-Government change as disclosed in Note 3. Therefore, there are no disclosures for 2019-20.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that provided to management, depicting the outcome on net income if interest rates would change by +/- 1% from the year end rates as applied to the department's variable rate financial assets and financial liabilities. With all other variables held constant, the department would have a surplus and equity increase/(decrease) of $978,000 in 2018-19.

2019 Interest rate risk		-1%		+1%	
	Carrying amount $'000	Operating result $'000	Equity $'000	Operating result $'000	Equity $'000
Financial instruments*					
Cash and cash equivalents	113,645	(1,136)	(1,136)	1,136	1,136
Loans and advances receivables	51,195	(512)	(512)	512	512
QTC borrowings	67,068	671	671	(671)	(671)
Potential impact on		**(978)**	**(978)**	**978**	**978**

In 2019-20, the above financial instruments were transferred out as part of the machinery-of-Government change as disclosed in Note 3. Therefore, there are no disclosures for 2019-20.

* Excludes fixed rate or non-interest bearing financial assets and financial liabilities.

31. Related party transactions

Transactions with other Queensland Government–controlled entities

The department's primary ongoing sources of funding from the government for services is appropriation revenue and equity injections, both of which are provided in cash via Queensland Treasury are disclosed in Note 4.

The department provides certain corporate services to Department of Local Government, Racing and Multicultural Affairs under a service level agreement. Corporate services costs incurred by the department are recovered via fee for service and disclosed in Note 5.

The department has borrowings from QTC as disclosed in Note 21 and deposits with QTC as disclosed in Note 13. The borrowings from QTC and deposits with QTC have transferred to DSDTI as a result of machinery-of-Government change detailed in Note 3.

The department has leases with DHPW for commercial office accommodation, storage facilities and car park spaces. Property and building expenses incurred are disclosed in Note 8.

The department engages Queensland Shared Services and CITEC for the provision of technology and business services under a service level agreement. Shared service provider fees incurred are disclosed in Note 8.

The department is a member of the Annual Leave Central Scheme (ALCS) and Long Service Leave Scheme (LSLS) which are administered by QT. Annual leave levy and long service leave levy expense is disclosed in Note 10.

The department provided administered appropriation revenue to Gasfields Commission. The department also provided administered appropriation revenue to Queensland Reconstruction Authority, Building Queensland and Roma Street and South Bank Parkland until the machinery-of-Government change transferred the responsibility of forwarding administered appropriation revenue to Queensland Treasury. These have been disclosed in Note 33.

DNRME manages the leases on behalf of EDQ and transfers the payments from the lessees to EDQ. These leases have been transferred to DSDTI as a result of machinery-of-Government change detailed in Note 3.

EDQ received land transfers from DHPW as equity transfers.

Transactions with people and entities related to KMP

The department has no transactions with people and entities related to its key management personnel during the financial year.

32. Agency transactions and balances

At 30 June 2019 a total of $11.236 million of third-party deposits was held by the department in an agency capacity under the *State Development and Public Works Organisation Act 1971*. These funds were received and held on on-behalf of proponents, with the department having no discretion over these funds. Consequently, these balances were not recognised in the financial statements but were disclosed for information purposes.

There are no deposits held by the department in similar capacity at 30 June 2020 due to the transfer of functions under machinery-of-Government outlined in Note 3.

In 2018-19, the total value of land taken by Coordinator-General pursuant to the *State Development and Public Works Organisation Act 1971* was $34.744 million. The land was held by the Coordinator-General and licensed to the proponent for construction of the project. Upon completion of construction, the land will be surveyed and will be utilised by the proponent for the activities under the project. Consequently, these land assets were not recognised in the financial statements but were disclosed for information purposes.

There are no land taken by the Coordinator-General at 30 June 2020 due to the transfer of functions under machinery-of-Government outlined in Note 3.

The department continued to process transactions on behalf of the functions transferred as part of the machinery-of-Government change disclosed in Note 3. These transactions do not form part of department's accounts and are instead reported by the departments receiving the transferred functions. The total value of transactions processed by the department on behalf of transferred controlled functions is $5.759 million. A balance of $1.177 million cash is held by the department to be transferred to Queensland Treasury for the administered functions.

33. Schedule of administered items

	Gasfields Commission		Queensland Reconstruction Authority*		Building Queensland*		State Assessment and Referral Agency*		Roma Street and Southbank Parkland*		Total	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Administered revenue												
Appropriation revenue	2,526	2,900	823,641	553,623	7,785	7,513	-	-	32,304	30,309	866,255	594,346
User charges and fees	-	-	-	-	-	-	2,711	4,410	-	-	2,711	4,410
Other revenue	-	-	(296)	296	-	-	-	-	11,197	11,130	10,902	11,425
Total administered revenue	**2,526**	**2,900**	**823,345**	**553,919**	**7,785**	**7,513**	**2,711**	**4,410**	**43,501**	**41,439**	**879,868**	**610,181**
Administered expenses												
Grants and contributions	2,526	2,900	823,345	553,919	7,785	7,513	-	-	32,304	30,309	865,960	594,641
Transfers of administered revenue to government	-	-	-	-	-	-	2,711	4,410	11,197	11,130	13,909	15,539
Total administered expenses	**2,526**	**2,900**	**823,345**	**553,919**	**7,785**	**7,513**	**2,711**	**4,410**	**43,501**	**41,439**	**879,868**	**610,181**
Operating surplus/(deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Administered assets												
Current												
Cash	-	-	-	-	-	-	-	1,253	-	2,230	-	3,483
Receivables	-	-	-	295	-	-	-	-	-	-	-	295
Total current assets	**-**	**-**	**-**	**295**	**-**	**-**	**-**	**1,253**	**-**	**2,230**	**-**	**3,778**
Total administered assets	**-**	**-**	**-**	**295**	**-**	**-**	**-**	**1,253**	**-**	**2,230**	**-**	**3,778**
Administered liabilities												
Current												
Payables	-	-	-	295	-	-	-	1,253	-	2,230	-	3,778
Total current liabilities	**-**	**-**	**-**	**295**	**-**	**-**	**-**	**1,253**	**-**	**2,230**	**-**	**3,778**
Net administered assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* As part of the machinery-of-Government change, the responsibility of forwarding administered appropriation revenue of $877.349 million to the Queensland Reconstruction Authority, Building Queensland and Roma Street and Southbank Parkland and State Assessment and Referral Agency has been reallocated to Queensland Treasury. Refer to Note 3 for further information.

33. Schedule of administered items (continued)

	2020 $'000	2019 $'000
Reconciliation of payments from Consolidated Fund to administered revenue		
Budgeted appropriation	691,720	604,240
Treasurer's Transfers	246	-
Lapsed administered appropriation	-	(9,847)
Unforeseen expenditure	222,453	-
Total administered receipts	**914,419**	**594,393**
Plus: closing balance of administered item payable*	(48,211)	(47)
Less: opening balance of administered item payable	47	-
Administered revenue recognised in Statement of Comprehensive Income	**866,255**	**594,346**
This is represented by grants and contributions to:		
Statutory authorities	833,656	564,332
Less: statutory authorities in advance	296	(295)
Local government	32,304	30,309
Total grants and contributions	**866,255**	**594,346**

* This represents the appropropriation received from Consolidated Fund, after the machinery-of-Government change date, returning to Consolidated Fund.

Original Budget to actual comparison and variance analysis

	2020 Actual $'000	2020 Original budget $'000	2020 Budget variance* $'000
Administered revenue			
Appropriation revenue	866,255	691,720	174,535
User charges and fees	2,711	5,500	(2,789)
Other revenue	10,902	14,040	(3,138)
Total administered revenue	**879,868**	**711,260**	**168,608**
Administered expenses			
Grants and contributions	865,960	691,720	174,240
Transfers of administered revenue to government	13,909	19,540	(5,631)
Total administered expenses	**879,868**	**711,260**	**168,608**
Operating surplus/(deficit)	-	-	-
Administered assets			
Current			
Cash	-	1,941	(1,941)
Receivables	-	-	-
Total current assets	**-**	**1,941**	**(1,941)**
Administered liabilities			
Current			
Payables	-	1,941	(1,941)
Total current liabilities	**-**	**1,941**	**(1,941)**
Net administered assets	-	-	-

Explanations of major variances

Appropriation revenue Actual Appropriation revenue for 30 June 2020 is higher than original budgeted primarily due to additional funding received for the Natural Disaster Relief and Recovery Arrangements and Disaster Recovery Funding Arrangements. This primarily related to the Category C and D extraordinary packages for the North and Far North Queensland Monsoon Trough.

Grants and contributions Grants and contributions expense at 30 June 2020 is higher than original budgeted primarily due to additional funding received for the Natural Disaster Relief and Recovery Arrangements and Disaster Recovery Funding Arrangements. This primarily related to the Category C and D extraordinary packages for the North and Far North Queensland Monsoon Trough.

Current payables Current payables as at 30 June 2020 is higher than original budgeted primarily due to transfers of administered revenue to government not yet transferred to QT.

Accounting policy

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

Major administered revenue includes appropriations and grants received from the Australian and the Queensland Government that are forwarded onto other Queensland government bodies.

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

34. Prior period errors and adjustments

Restatement of infrastructure charges

The department collects infrastructure charges under the *Economic Development Act 2012* . Previously the charges were recognised as payables as the Act stipulates all amount collected must be spent on infrastructure delivery purposes. The department completed a review this year and determined that infrastructure charges fail to meet the recognition criteria of payables due to the lack of certainty around the amount, timing and payee of future outflows. Accordingly, infrastructure charges are now recognised as provision as per AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* .

The change has resulted in a restatement of payables and provisions totalling $53.910 million as at 30 June 2019 and $41.993 million as at 30 June 2018.

34. Prior period errors and adjustments (continued)

Restatement of land sales revenue

The department entered into a land sale contract with a developer including a component of revenue to be a variable consideration over a period of time post settlement. In prior years the variable revenue was recognised progressively upon cash receipts. The department performed a review this year taking into consideration additional information and determined that at settlement the variable consideration, albeit an estimate, should have been recognised as revenue at the time and corresponding receivable a contract asset. Accordingly, the department restated relevant line items as per AASB15 *Revenue from Contracts with Customers* and AASB9 *Financial Instruments* .

The change resulted in a restatement of receivable totalling $6.285 million as at 30 June 2019 ($12.131 million as at 30 June 2018), as well as accumulated deficit totalling $0.660 million as at 30 June 2019 ($1.301 million as at 30 June 2018).

Restatement of land inventories

Following a review of the accounting practice on one property development project, the department performed a review this year and determined that costs of sales calculation should be based on carrying value of properties rather than a sales percentage adopted previously. As per AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* para 19(b), this is considered a voluntary change of accounting policy. Accordingly the department has restated relevant line items as per AASB102 *Inventories* .

The change has resulted in a restatement of land inventory totalling $17.092 million as at 30 June 2019 ($11.831 million as at 30 June 2018), as well as cost of sales of land inventories totalling $17.092 million as at 30 June 2019 ($11.831 million as at 30 June 2018). Income tax equivalent and deferred tax equivalent liability are also restated totalling $5.094 million as at 30 June 2019 ($3.549 million as at 30 June 2018).

Restatement of equity injection receivable and equity injection appropriated

A recent review of the equity injection receivable balance identified a journal which had been incorrectly posted in 2018-19. As result, equity injection receivable and equity injection appropriated totalling $4.788 million reported as at 30 June 2019 in the financial statements have been corrected.

Restatement of concessional loans balance

The department also adjusted $0.292 million prior year balance for concessional loans following a review of calculations.

Adjustments to the errors outlined above have been made retrospectively in accordance with requirements of AASB108 *Accounting Policies, Change in Accounting Estimates and Errors* . AASB 101 *Presentation of Financial Statements* would ordinarily require a third statement of financial position if the retrospective restatement has a material effect on the information in the statement of financial position at the beginning of the preceding period.

A third statement of financial position has not been presented as the retrospective restatement has no material effect on the information in the statement of financial position at the beginning of the preceding period.

A summary of all comparative changes is detailed below:

	2017-18 Published $'000	Increase/ (decrease) $'000	2017-18 Restated $'000
Statement of Financial Position (extract) as at 30 June 2018			
Current Assets			
Receivables	108,355	5,846	114,201
Land inventories	38,543	1,559	40,102
Non-current assets			
Receivables	82,006	6,285	88,291
Land inventories	272,821	(4,061)	268,760
Current Liabilities			
Payables	82,220	(20,432)	61,788
Provisions	53,383	20,432	73,815
Income tax payable	-	4,107	4,107
Non-Current Liabilities			
Payables	25,622	(25,622)	-
Provisions	13,126	21,561	34,687
Net assets	915,205	9,583	924,788
Equity			
Accumulated deficits	(438,919)	9,583	(429,336)
Statement of Comprehensive Income (extract) for the year ended 30 June 2018			
Land sales	23,168	(1,300)	21,868
Interest	4,430	-	4,430
Total revenue	469,423	(1,300)	468,123
Cost of land sales	10,354	(12,950)	(2,596)
Total expenses	507,926	(12,950)	494,976
Operating results before Income tax equivalent	(37,569)	11,650	(25,919)
Income tax equivalent	15,594	(3,495)	12,099
Operating results after income tax equivalent	(21,975)	8,155	(13,820)
Total comprehensive income	(21,975)	8,155	(13,820)

34. Prior period errors and adjustments (continued)

Statement of Financial Position (extract) as at 30 June 2019	2018-19 Published $'000	Increase/ (decrease) $'000	2018-19 Restated $'000
Current Assets			
Receivables	58,348	(1,938)	56,410
Land inventories	38,879	11,751	50,630
Non-current assets			
Receivables	120,058	3,728	123,787
Land inventories	320,489	(1,577)	318,913
Current Liabilities			
Payables	127,918	(16,460)	111,458
Provisions	39,344	16,460	55,804
Income tax payable	-	5,365	5,365
Non-Current Liabilities			
Payables	39,028	(39,028)	-
Provisions	-	37,452	37,452
Net assets	891,599	8,175	899,775
Equity			
Contributed equity	1,339,330	(4,788)	1,334,542
Accumulated deficits	(447,731)	12,963	(434,768)
Statement of Comprehensive Income (extract) for the year ended 30 June 2019			
Land sales	48,511	(5,846)	42,665
Interest	11,008	292	11,301
Total revenue	483,730	(5,554)	478,177
Cost of land sales	38,004	(10,192)	27,813
Total expenses	507,531	(10,192)	497,340
Operating results before Income tax equivalent	1,021	4,638	5,659
Income tax equivalent	(9,796)	(1,296)	(11,092)
Operating results after income tax equivalent	(8,775)	3,343	(5,433)
Total comprehensive income	(8,775)	3,343	(5,433)

35. Future impact of accounting standards not yet effective

At the date of authorisation of the financial report, there are no expected impacts of new or amended Australian Accounting Standards issued, but with future commencement dates.

36. Climate risk disclosure

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.

Certificate of the Department of Regional Development and Manufacturing

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:

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

(b) 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 for the financial year ended 30 June 2020 and of the financial position of the department at the end of that year; 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.

Chris Breitkreuz CPA
Chief Finance Officer
Date: 31/8/20

Frankie Carroll
Director-General
Date: 31 August 2020

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Regional Development and Manufacturing

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Regional Development and Manufacturing.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

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

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies 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.

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.

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Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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.

31 August 2020

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

ANNUAL REPORT 2019–2020
Department of Regional Development and Manufacturing
www.drdm.qld.gov.au