

Financial performance

Chief Finance Officer Statement

In overseeing the financial activities of the Department of State Development, I assert that I have fulfilled the responsibilities 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
- 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*.

Michael McKee
Chief Finance Officer

Summary of financial performance

This section provides an overview of the financial statements of the department for the 2014–15 financial year, which are provided in detail at the 'financial statements' section of this report.

Understanding the financial statements

A major impact on the department's operations in 2014–15 is the transfer of the Economic Development Queensland (EDQ), Infrastructure and Planning functions over to the Department of Infrastructure, Local Government and Planning (DILGP) due to the machinery-of-government changes in February 2015.

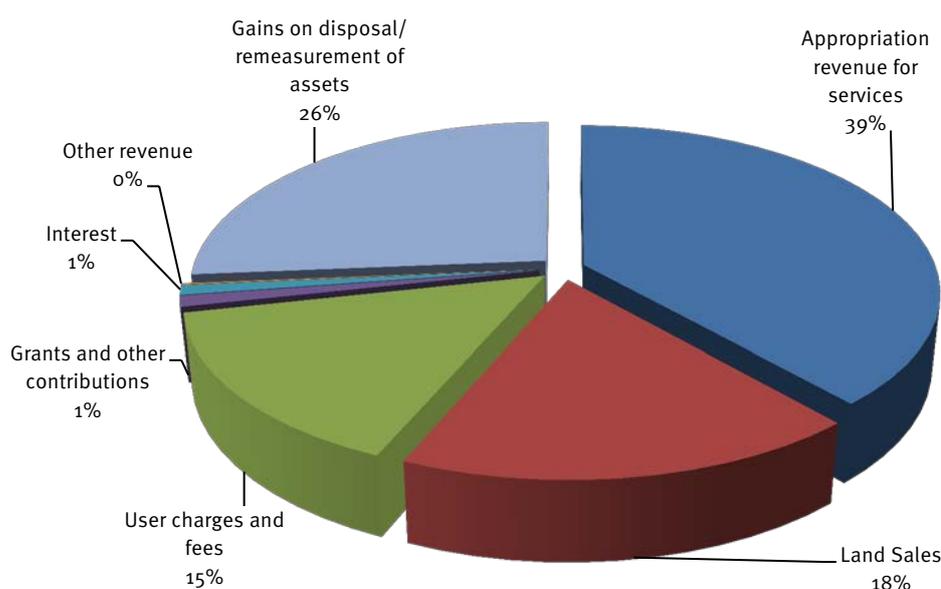
The following comparison of the 2014–15 results with the 2013–14 results was considered and accepted by the department's Audit and Risk Management committee at the August 2015 meeting.

Analysis – operating result

	2015 \$'000	2014 \$'000	Variance \$'000
Total income	459,196	427,710	31,486
Total expenses	348,910	396,698	(47,788)
Operating result before tax	110,286	31,012	79,274
Income tax equivalent benefit/ (expense)	(38,502)	(10,711)	(27,791)
Operating result after tax	71,784	20,301	51,483
Other comprehensive income			
Asset revaluation surplus	7,838	(2,914)	10,752
Total comprehensive Income	79,622	17,387	62,235

Income

Figure 1 Income by category for the year ended 30 June 2015



The department's main categories of income are appropriation revenue and land sales. Overall total income increased by \$31.4 million to \$459 million from 2013–14 as follows:

- Gains on disposal/re-measurement of assets of \$115.5 million in 2014–15 is mainly attributable to a \$112 million increase in the fair value of investment properties owned by EDQ. State Valuation Services, Certified Valuers,
- Land sales decreased by \$59.8 million in 2014–15 to \$82.26 million as a result of machinery-of-government changes resulting in the increase for the department.
- Land sales decreased by \$59.8 million in 2014–15 to \$82.26 million as a result of machinery-of-government changes that required eight months of sales be recorded in the department's accounts and the remaining four months recorded

in DILGP's accounts. In addition, land sales for the eight months decreased from prior year due to lower residential sales, particularly in mining areas that have seen mine closures and resulting staff reductions.

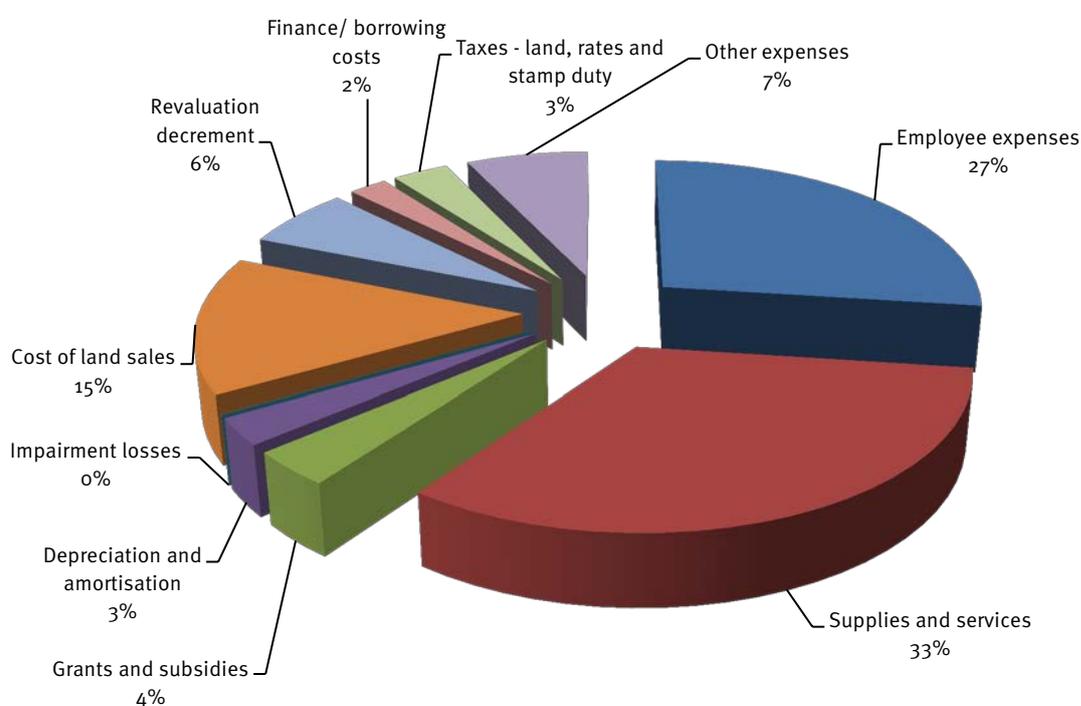
- User charges decreased by \$11.12 million in 2014–15 to \$69.55 million mainly due to a reduction in EDQ fee for service revenue, due the transfer of EDQ as a result of the machinery-of-government changes. The reduction also

relates to a decrease in the sale of goods and fees collected in the 2014–15 year. The decrease was offset by cost recovery revenue relating to the Commonwealth Games venues and village.

- Other revenue decreased in 2014–15 by \$14.7 million to \$0.58 million as a direct result of one off sale of land sales worth approximately \$13.9 million to the Department of Transport and Main Roads in the 2013–14 financial year.

Expenses

Figure 2 Expenses by category for the year ended 30 June 2015



The department's significant categories of expenses are employee expenses, supplies and services, and cost of land sales. Overall total expenses are \$348.91 million and have decreased by \$47.79 million from 2013–14 due to:

- A reduction in cost of land sales by \$38.2 million to \$50.47 million in 2014–15 due to the transfer of EDQ as a result of machinery-of-government changes, resulting in costs for only eight months recorded in the department's accounts

and the remaining four months in DILGP's accounts.

- A reduction in grants and subsidies by \$10.24 million to \$12.88 million for 2014–15 due to the completion of the Aurukun barge project, Cairns Shipping projects and various other projects. Also, the decrease is due to a reduction in industry grants paid of approximately \$5 million, due to the completion of various grant programs in the 2014–15 year. The decrease is offset by an increase in grant

funding for the Royalties for the Regions program totalling approximately \$5 million.

- An increase in other expenses by \$18.2 million to \$24.690 in 2014–15 due to the one off purchase of public liability insurance in relation to Commonwealth Games preparation, and an increase in losses pertaining to Mary Valley sales throughout the year (offset by gains included in income).

Total comprehensive income

For 2014–15, the total comprehensive income result is a surplus of \$79.6 million. This total includes an asset revaluation reserve surplus of \$7.84 million. Therefore, the operating result from continuing operations is a \$71.7 million surplus mostly relating to the gain on the fair value of investment property of \$112 million owned by EDQ.

Statement of Financial Position—Assets and Liabilities

	2014-15 \$'000	2013-14 \$'000	Variance \$'000
Total Current Assets	71,894	704,399	(632,505)
Total Non-Current Assets	350,291	776,677	(426,386)
Total Assets	422,185	1,481,076	(1,058,891)
Total Current Liabilities	75,533	212,703	(137,170)
Total Non-Current Liabilities	80,868	197,643	(116,775)
Total Liabilities	156,401	410,346	(253,945)
Total Equity	265,784	1,070,730	(804,946)

Total assets at 30 June 2015 are \$422.2 million, representing a decrease of \$1.06 billion from 2013–14 primarily due to the machinery-of-government changes that saw the transfer of EDQ assets out of the department. This significantly decreased amounts for cash and cash equivalents, property, plant and equipment, investment properties and land inventories in 2014–15.

Total liabilities at 30 June 2015 are \$156 million, representing a decrease of \$254 million from 2013–14. This is mainly due to the transfer of EDQ liabilities out of the department as a result of the machinery-of-government changes.