

# Finance



Providing high-quality, value-for-money service delivery and advice to support organisational requirements

- Building organisational capacity in financial management
- Managing and maintaining effective partnerships with our stakeholders

## Chief Financial Officer's Review

Over the past five years, a greater emphasis on financial management and fiscal control has steadily improved the Department's financial position. At the end of the 2006-07 financial year, the Department is in a sound financial position, with an operating surplus of \$60.8 million, balancing the fluctuations in the operating position over the past five years.

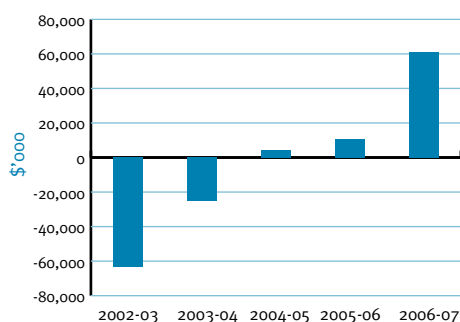
The breakdown of the operating surplus is:

- The Education portfolio produced a surplus of \$60.6 million
- The Vocational Education and Training (VET) portfolio had a deficit of \$1.6 million
- Arts Queensland produced a surplus of \$0.95 million
- Corporate and Professional Services and the Corporate Administration Agency produced a surplus of \$0.88 million.

The operating surplus reflects changes including:

- additional revenue generated from user charges
- an increase in donations and contributions (which at the end of the 2006-07 financial year had not been spent) from Parents and Citizens' Associations
- net gain from sales of assets
- reduction in depreciation expenses as a result of the extension of useful lives of assets.

Figure: 46 Operating position over five years



## Summary of financial performance

Following the merging of Training into the portfolio, the Department is now the largest agency in Queensland. The 2007-08 budget of \$6 billion is 19 percent of the total State Government budget.

In the five years from 2002-03, the Department has had only relatively minor fluctuations in its financial performance results of up to 1.2 percent of total revenue. The five-year average of 2002-03 to 2006-07 in the operating position is a slight deficit of \$2.5 million.

In 2006-07, the Department's commitment to provide additional services to Queenslanders saw an increase of overall state funding by eight percent or \$303.4 million (excluding the VET portfolio). The majority of this funding (70 percent) pays for staff and teachers in our schools.

The Department is in a strong financial position with liabilities representing less than five percent of total assets.

## Where the money comes from

In 2006-07 the Department received:

- additional \$669.8 million revenue for the delivery of VET services as a result of the machinery-of-Government (MoG) changes
- \$4.46 billion in recurrent funding, an increase of \$709.3 million from 2005-06, of which \$405.9 million relates to VET. Recurrent funding is provided for the ongoing operations of the Department such as salaries and wages.
- \$420.6 million in net capital injection, an increase of \$121.3 million from 2005-06 of which \$23.9 million relates to VET. Capital injection is invested in capital improvements delivered through the capital works program.
- \$3.12 billion in administered funding, an increase of \$228.2 million from 2005-06 of which \$21.7 million relates to VET. Administered funding is distributed as grants to statutory authorities enabling them to deliver their agreed outcomes.

### Recurrent funding

The funding increase obtained in 2006-07 supports the increased number of enrolments in state schools and the implementation of new education, training and arts projects across the State.

The Department obtains the funds necessary to deliver its services through two main sources, the Queensland Government and grants from the Australian Government. In 2006-07, the Department's revenue received from the Queensland Government increased by \$709.3 million of which \$405.9 million relates to VET. Australian Government grants increased by \$196.2 million of which \$146.1 million relates to VET.

### Capital funding

Appropriate and timely capital investment contributes to raising educational standards and improving value for money in the delivery of public services. Capital funding is dedicated to improvements in the Department's asset base. It does not include maintenance funding, which is a recurrent expense.

The Department also has a \$14.88 billion physical net asset base that includes 1,250 state schools, 13 TAFE institutes, as well as arts and cultural centres across Queensland. In 2006-07, the capital expenditure was \$652.4 million, providing new schools and TAFE buildings, arts infrastructure, extensive building upgrades and new Prep classrooms, investment in operating equipment, and information and communication technologies-related projects.

More than \$21.3 million was received from the disposal of property identified as excess to service-delivery requirements.

Figure 47: Income

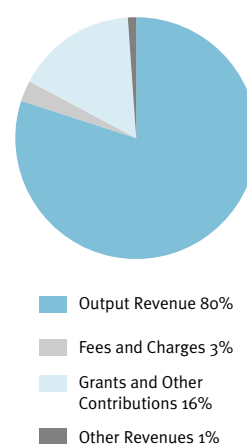
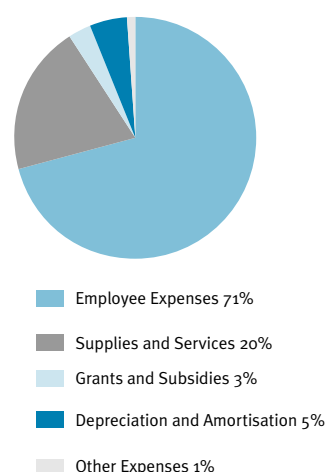


Figure 48: Expenses



## Where the money goes

As a result of the MoG changes, the Department has accounted for an additional \$671.4 million expenditure for the delivery of VET services.

Overall, recurrent expenses increased by \$1.04 billion from 2005-06 to a total of \$5.52 billion.

### Employee expenses

Employee expenses account for the largest part of the Department's expenses. The six percent increase in employee expenses (excluding VET) from 2005-06 reflects the employment of additional staff, increased wages and benefits, and incentive payments through the Career Change program.

Increased staff numbers support the growth of students in both state schools and TAFE institutes, as well as the statewide introduction of Prep and other initiatives.

Increased wages and benefits negotiated through enterprise bargaining agreements account for four percent of the increase in employee expenses.

In 2006-07 the Career Change Incentive program provided \$17 million for eligible teachers, genuinely looking for new career opportunities. The program is voluntary and provides up to \$50,000 for teachers without contemporary teaching skills to leave the state schooling system. These teachers are replaced with graduate teachers.

### Supplies and services

Supplies and services expenses increased by \$332.2 million of which \$216.3 million relates to VET. The increase in the supplies and services expense reflects the additional services provided to fulfil user charge commitments.

## Depreciation and amortisation

Depreciation and amortisation increased by \$81.8 million of which \$35.2 million relates to VET. The increase was mainly due to the increase in the value of assets as a result of indexation.

## What we own

In 2006-07, the value of intangible assets, property, plant and equipment was \$14.88 billion (see Figure 49). This is an increase of 26 percent from the previous financial year. A significant portion of this increase is due to the effects of indexation adjustments conducted during the financial year as well as \$1.22 billion worth of assets transferred from the Department of Employment and Training as part of the MoG changes.

## Average cost per student

The increasing average cost of services per student in state schools reflects the increased levels of service provided (see Figure 50).

Figure 49: Value of Property, plant and equipment

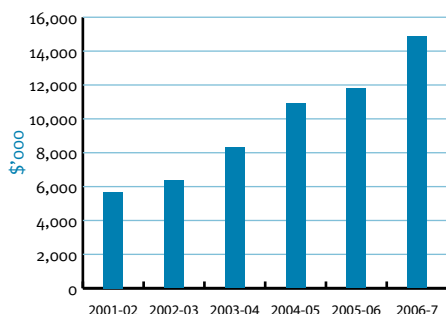


Figure 50: Average cost per student – state schools

