Our finances

Financial overview

-2.0% of return on investment
$43.3M of operating deficit
Focus on investment returns and financial stability post COVID-19

Results dominated by COVID-19 investment losses

The RTA's financial position was severely impact by adverse market movements due the impact of COVID-19 on global economies. The market contractions, the size of which had not been seen since the 2008–09 global financial crisis, occurred in late February and March, causing the RTA to recognise significant losses across all the RTA's non-cash investments. Prior to the impact of the pandemic, the RTA was reporting revenue in excess of the budgeted 3.0% return and expenditure below budget.

Since the market contractions in early 2020, the RTA's investments have recovered some losses as global markets have grown after the initial shock. Overall the RTA's investments returned -2.0% for the year, well below the budgeted return of 3.0%. The operating result for the year was a loss of $43.3M.

Expenses were also impacted due the RTA's commitment to assisting the Queensland rental sector through the COVID-19 emergency. The RTA's expenses were $77.7M for the year which included $41.6M of investment losses and $3.9M of additional expenditure to fund the RTA's pandemic response. When excluding this additional spending the RTA is under the original expense budget by $0.2M.

Overall expenses increased compared to 2018–19 by $4.4m (excluding investment losses), which included significant spending on the RTA's COVID-19 response. Despite the additional COVID-19 costs, the RTA was able to continue its investment in its modernisation and delivery of online solutions for the Queensland community.

Financial performance
2015–16 to 2019–20

Financial year	Income $m	Expenditure $m	Grant Expenditure $m	Surplus/deficit $m
2015–16	27.4	32.2	5.0	(9.8)
2016–17	35.0	34.3	-	0.7
2017–18	26.1	34.0	-	(7.9)
2018–19	40.3	31.7	-	8.6
2019–20	**34.4**	**77.7**	-	**(43.3)**

Financial Position

Despite the fair value investment losses incurred as a result of COVID-19 impacts, the RTA had managed to accumulate sufficient cash reserves as a result of out investment strategy, with good investment returns in 2018–19 and prior to the market contraction in early 2020. These cash reserves, equivalent to 11 months of budgeted expenditure as at 30 June 2020, have allowed the RTA to continue servicing Queenslanders, including additional services provided during the early stages of the pandemic.

The RTA is still maintaining a high level of liquid assets in the rental bond portfolio allowing bond refunds to be paid as required. Overall the value of bonds held increased by $36.7M to $943.4M during the financial year. The RTA continues to work closely with Queensland Investment Corporation (QIC) and Queensland Treasury to ensure long-term financial stability.

Investment management

We manage our investments in accordance with Part 3, Division 5 of the *Residential Tenancies and Rooming Accommodation Act 2008* and with the Statutory Bodies Financial Arrangements Act 1982.

Earnings from the investment of rental bonds are allocated between the rental bond portfolio and the business operations portfolio. The rental bond portfolio represents the investment of all rental bonds held. It is actively managed predominantly by fund manager QIC and funds are allocated across a range of asset classes according to the investment strategy adopted by the RTA Board. The RTA has also allocated investment funds to the Queensland Treasury Corporation (QTC).

The investment mix of the rental bond portfolio is detailed from page 57 in notes 9, 10 and 11.

The business operations portfolio represents the earnings from investments and is used to fund all RTA business operating expenses and grants.

Operating income

The RTA's income relies almost exclusively on investment income from the investment of the rental bond portfolio and as a result, large fair value losses were recognised during 2019–20. The Investment portfolio, including investments with QTC, returned $25.0M in distributions offset by $41.6M in capital losses.

Overall the portfolio returned -2.0% due primarily to losses in the QIC Property Fund as a result of declining values and returns of retail shopping centres. The Property Fund returned -16.76% for the year and the QIC Long Term Diversified Fund returned -3.2%.

QIC fund returns

QIC Fund name	Annual return 2019–20			Annual return 2018–19		
	%	Capital $m	Distributions $m	%	Capital $m	Distributions $m
QIC Cash Enhanced Fund	1.7	0.2	0.3	2.6	0.4	2.9
QIC Global Credit Fund	2.5	-4.4	8.5	5.1	7.4	9.3
QIC Global Credit Opportunities Fund	2.0	0.0	0.0	-0.9	0.0	0.0
QIC Long Term Diversified Fund	-3.2	-7.5	5.5	7.2	3.2	2.7
QIC Property Fund	-16.6	-30.0	5.4	4.1	0.1	6.2
QIC Short Term Income Fund	2.3	0.0	4.0	3.8	1.6	4.7
Portfolio Total	-2.0	-41.6	23.7^	4.6	12.7	25.9^

^ Totals exclude revenue from interest distributions provided by QTC.

Operating expenditure

Overall expenditure increased compared to 2018–19 by $4.4M (excluding fair value losses on investments) primarily due to additional spending on our COVID-19 response. When excluding COVID-19 related costs, total expenses increased by 1.5% compared to 2018–19.

Employee costs

With our focus on providing quality services to the Queensland rental sector, our employee costs represent over 60% of the total expenses incurred by the RTA each year. In 2019–20, the RTA spending on employee costs grew compared to 2018–19, with an overall increase of $1.6M. This increase was caused by state wage case increases across Queensland Government and our investment in highly qualified staff to respond to the 18.4% increase in the number of calls over the year. Additional costs were also incurred as a result of increased conciliation requirements and prioritising conciliation for COVID-19 related tenancy disputes to support the Queensland renting community.

Supplies and services

Supplies and services account for the bulk of our non-employee costs including rent and investment fees. In 2019–20 costs increased by $1.1M over 2018–19, although 2019–20 expenses include $3.2M of additional costs to supply additional call-centre capability to address substantial increases in the number of COVID-19 related calls received. When excluding COVID-19 costs, supplies and services costs were down $2.1M on the previous year due to changes in the accounting standards for operating leases.

Depreciation

Depreciation and amortisation expenses have increased this year due the application of the AASB 16 Leases which changed the way costs of leases are recorded. Details of the changes are listed in the accounting policies section of the 2019–20 financial statements. We have also commissioned new Web Services software which has provided faster lodgements and refunds with online forms.

COVID-19 expenditure

To ensure the RTA was able to maintain service standards during the Queensland Government's pandemic measures, we invested heavily in additional services and infrastructure. We developed additional COVID-19 software and updated hardware to ensure all staff were able to continue working safely from home. The engagement of an additional call centre supplier to handle the increase in calls regarding COVID-19 allowed the RTA to reassign staff to handle more complicated issues such as dispute resolution. In total $3.9M of operational and capital expenditure was spent in these areas so that the RTA was able to maintain its service outcomes at pre-pandemic levels ensuring no additional disruption to the Queensland rental sector.

Despite unprecedented demands on the RTA to support the Queensland rental sector as a result of COVID-19, the RTA continued to ensure business efficiency and maintain strong cost control throughout the year.

General Purpose Financial Report

for the year ended 30 June 2020

Contents

General Information

These financial statements cover the Residential Tenancies Authority (RTA) and its controlled entity Residential Tenancies Employing Office (RTEO).

The RTA and RTEO are both Queensland Government statutory bodies constituted under the *Residential Tenancies and Rooming Accommodation Act 2008* (Qld).

The RTA is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the Authority is: Level 23, 179 Turbot Street, BRISBANE QLD 4000.

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

For information in relation to the RTA and its controlled entity's financial statements please call 07 3046 5400, or visit rta.qld.gov.au/annual report.

Statement of Comprehensive Income

for the year ended 30 June 2020

		Group		Parent	
		2020	2019	**2020**	2019
	Notes	**$'000**	$'000	**$'000**	$'000
Income					
Investment revenue	4	**24,951**	27,546	**24,949**	27,542
Fair value gain on investments	4	**-**	12,749	**-**	12,749
Other revenue		**18**	15	**18**	15
Other income	17	**9,479**	-	**9,479**	-
Total income		**34,448**	40,310	**34,446**	40,306
Expenses					
Employee expenses	5	**21,708**	20,143	**755**	739
Supplies and services	6 (a)	**10,920**	9,775	**31,874**	29,178
Finance costs	6 (b)	**102**	-	**102**	-
Depreciation and amortisation	7	**3,131**	1,563	**3,131**	1,563
Fair value loss on investments	4	**41,623**	-	**41,623**	-
Other expenses	8	**216**	190	**213**	187
Total expenses		**77,700**	31,671	**77,698**	31,667
Operating result for the year		**(43,252)**	8,639	**(43,252)**	8,639
Other comprehensive income					
Total operating result		**(43,252)**	8,639	**(43,252)**	8,639

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2020

		Group		Parent	
		2020	2019	**2020**	2019
	Notes	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	9	**76,845**	74,730	**76,703**	74,699
Other financial assets	10	**870,950**	880,759	**870,950**	880,759
Receivables	12	**921**	416	**565**	342
Other current assets	13	**434**	253	**367**	253
Total current assets		**949,150**	956,158	**948,585**	956,053
Non current assets					
Intangible assets	14	**9,317**	9,161	**9,317**	9,161
Property, plant and equipment	15	**306**	330	**306**	330
Right-of-use assets	16	**2,000**	-	**2,000**	-
Other non current assets	13	**62**	54	**62**	54
Total non current assets		**11,685**	9,545	**11,685**	9,545
Total assets		**960,835**	965,703	**960,270**	965,598
Current liabilities					
Payables	17	**5,245**	1,611	**9,312**	5,851
Rental bonds and unclaimed monies	17	**948,334**	915,261	**948,334**	915,261
Operating lease payable	17	**-**	181	**-**	181
Lease liabilities	16	**2,480**	-	**2,480**	-
Accrued employee benefits	18	**3,444**	3,626	**26**	24
Total current liabilities		**959,503**	920,679	**960,152**	921,317
Non current liabilities					
Lease liabilities	16	**430**	-	**430**	-
Accrued employee benefits	18	**1,214**	745	**-**	2
Total non current liabilities		**1,644**	745	**430**	2
Total liabilities		**961,147**	921,424	**960,582**	921,319
Net assets		**(312)**	44,279	**(312)**	44,279
Equity					
Accumulated surplus		**(312)**	44,279	**(312)**	44,279
Total equity		**(312)**	44,279	**(312)**	44,279

The accompanying notes form part of these statements.

Statement of Changes in Equity
for the year ended 30 June 2020

	$'000 Accumulated Surplus	$'000 Total Equity
	Group	
2020		
Balance as 1 July 2019	**44,279**	**44,279**
Adjustment from the adoption of AASB 16	(1,339)	(1,339)
Operating result from continuing operations	(43,252)	(43,252)
Balance as at 30 June 2020	**(312)**	**(312)**
2019		
Balance as 1 July 2018	35,640	35,640
Operating result from continuing operations	8,639	8,639
Balance as at 30 June 2019	44,279	44,279
	Parent	
2020		
Balance as 1 July 2019	**44,279**	**44,279**
Adjustment from the adoption of AASB 16	(1,339)	(1,339)
Operating result from continuing operations	(43,252)	(43,252)
Balance as at 30 June 2020	**(312)**	**(312)**
2019		
Balance as 1 July 2018	35,640	35,640
Operating result from continuing operations	8,639	8,639
Balance as at 30 June 2019	44,279	44,279

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2020

		Group		Parent	
	Notes	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Cash flows from operating activities					
Inflows					
Interest income		**1,296**	1,715	**1,294**	1,711
Bond lodgements		**427,119**	419,196	**427,119**	419,196
Other operating receipts		**18**	15	**18**	15
GST collected from customers		**21**	1	**21**	1
GST refunds received		**1,175**	949	**1,175**	949
Outflows					
Bond claims		**(384,566)**	(376,488)	**(384,566)**	(376,488)
Employee expenses		**(21,492)**	(19,778)	**(760)**	(735)
Supplies and services		**(7,736)**	(9,367)	**(28,580)**	(28,369)
Other expenses		**(216)**	(130)	**(213)**	(130)
GST paid to suppliers		**(1,459)**	(985)	**(1,459)**	(985)
Interest on leases		**(102)**	-	**(102)**	-
Net cash provided by/(used in) operating activities	CF.1	**14,058**	15,128	**13,947**	15,165
Cash flows from investing activities					
Inflows					
Investments redeemed		**21,929**	34,695	**21,929**	34,695
Outflows					
Payments for purchased software		**(73)**	-	**(73)**	-
Payments for internally generated software		**(1,132)**	(660)	**(1,132)**	(660)
Payments for work in progress		**(236)**	(21)	**(236)**	(21)
Payment for property, plant and equipment		**(107)**	(73)	**(107)**	(73)
Payments for investments		**(30,000)**	(35,000)	**(30,000)**	(35,000)
Net cash provided by/(used in) investing activities		**(9,619)**	(1,059)	**(9,619)**	(1,059)
Cash flows from financing activities					
Outflows					
Repayment of lease liabilities		**(2,324)**	-	**(2,324)**	-
Net cash provided by/(used in) financing activities		**(2,324)**	-	**(2,324)**	-
Net increase/(decrease) in cash and cash equivalents		**2,115**	14,069	**2,004**	14,106
Cash and cash equivalents at beginning of financial year	9	**74,730**	60,661	**74,699**	60,593
Cash and cash equivalents at end of financial year	9	**76,845**	74,730	**76,703**	74,699

The accompanying notes form part of these statements.

Notes to the Statement of Cash Flows

for the year ended 30 June 2020

CF.1 Reconciliation of operating result to net cash from operating activities

Reconciliation of cash

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Group		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Operating result	**(43,252)**	8,639	**(43,252)**	8,639
Add: Depreciation and amortisation	**3,131**	1,563	**3,131**	1,563
Increase in accrued employee benefits	**286**	366	**-**	11
Decrease in receivables	**-**	57	**-**	133
Unrealised decrease in investments	**17,879**	-	**17,879**	-
Increase in rental bonds	**42,553**	42,766	**42,553**	42,766
Increase in trade creditors	**3,634**	816	**3,460**	1,132
	24,231	54,207	**23,771**	54,244
Less:				
Increase in receivables	**505**	-	**223**	-
Increase in prepayments	**189**	164	**122**	164
Decrease in unclaimed bonds	**9,479**	57	**9,479**	57
Unrealised increase in investments	**-**	38,721	**-**	38,721
Decrease in operating lease payable	**-**	137	**-**	137
	10,173	39,079	**9,824**	39,079
Net Cash provided by operating activities	**14,058**	15,128	**13,947**	15,165

The accompanying notes form part of these statements.

1. Basis of financial statement preparation

General information

The RTA is a self-funded regulatory authority committed to providing targeted services to meet the diverse needs of Queensland's residential rental sector.

The head office and principal place of business of the RTA is Level 23, 179 Turbot Street, Brisbane, Qld, 4000.

Compliance with prescribed requirements

The RTA has prepared these statements in compliance with section 39 of the *Financial and Performance Management Standard 2019.*

These financial statements are general purpose financial statements, and have been 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. In addition, the financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019, and other authoritative pronouncements and the requirements prescribed by:

- *Residential Tenancies and Rooming Accommodation Act 2008* (Qld) (RTRA Act); and
- *Statutory Bodies Financial Arrangements Act 1982* (Qld) (SBFA Act).

First year of application of new accounting standards

The RTA has adopted the following new Australian Accounting Standards and AASB interpretations for the reporting period ended 30 June 2020.

- AASB 16 *Leases*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*

The impact of these accounting standards on the results is as below.

AASB 16 *Leases*

AASB 16 removes the operating and finance lease distinction for lessees and requires to recognise all material leases on the Statement of Financial Position. AASB 16 requires the recognition of a right-of-use asset and a corresponding lease liability at the commencement of all leases, except for short-term leases and leases of low value assets. The RTA's accounting policy for leases is set out in Note 16.

The RTA has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018–19 reporting period, as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the adoption of AASB 16 were therefore recognised at the date of initial application, 1 July 2019.

On adoption of AASB 16, the RTA recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. At 1 July 2019, the RTA had only one such lease, being the lease of premises at 179 Turbot Street. The liability was measured at the present value of the remaining lease payments, discounted using the RTA's incremental borrowing rate as of 1 July 2019, which was 2.4%.

The RTA elected to measure the right-of-use asset at the date of transition at the amount calculated as if the standard had always applied, but applying the incremental borrowing rate as at transition date (as opposed to the incremental borrowing rate at the lease inception date).

The adoption of AASB 16 has resulted in:
- The recognition of right-of-use assets of $3,714,779 after deduction of $180,883 of operating lease liabilities
- The recognition of lease liabilities of $5,234,273
- The net impact on retained earnings on 1 July 19 was a decrease of $1,338,611

The impact of the adoption of AASB 16 to the Statement of Comprehensive Income was a decrease in expenses of $609,750 in the current year as the total of depreciation $1,714,513 and interest expense on lease liabilities of $102,014 is less than the operating lease rental of $2,426,277 that would have been reported under the previous standard.

AASB 15 *Revenue from contracts with customers* and AASB 1058 *Income of Not for Profit entities*

The RTA has adopted the above standards from 1 July 2019. However, these standards have not materially impacted the RTA's financial statements as the RTA's revenue consists of returns on investments which are not accounted for under these standards.

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.

Comparatives

Comparative information reflects the audited 2018–19 financial statements except Note 4, Note 6(a) and Note 17. Note 4 has been changed to display the changes in fair value of investments separately from investment revenue. Note 6(a) has been recategorised to enhance the comparability with the internal management reporting. Rental bonds and unclaimed monies in Note 17 have been recategorised to adjust the unclaimed bond monies amount which represent the rental bonds which have been paid by cheques not presented for payment within 15 months after it is drawn.

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 RTA 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 RTA Chief Executive Officer and Board Chairperson at the date of signing the Management Certificate.

Basis of measurement

Historical cost is used as the measurement basis in this financial report except for investments which are reported at fair value and provisions expected to be settled 12 or more months after reporting date which are measured at their present 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 measurement

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 or a group of assets and liabilities, such as a business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current/depreciated replacement cost methodology.
- The *income approach* converts multiple future cash flow amounts to a single (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.

Going Concern

As at 30 June 2020 the statement of financial position discloses deficiencies in working capital (being excess of current liabilities over current assets) and net assets of $10,353,000 and $312,000 respectively.

These deficiencies have arisen due to the excess of rental bond liabilities over the value of the RTA's rental bond assets, being $40,666,000. The value of the investment portfolio has been significantly impacted by the downturn in global financial markets associated with the COVID-19 global pandemic.

Although classified as current liabilities, the bond liability balance is expected to continue to grow over the coming 12-18 month period in line with recent trends in the rental property market in Queensland. Value of bonds held has increased by an average of 4.4% over the past 5 years. The RTA therefore anticipates net cash inflows from bond lodgements and refunds over this period, however notes an ability to redeem investments to fund any excess of bond refunds over new bond lodgements should such shortfall arise.

As outlined in Note 1, the RTA is a self-funded regulatory authority, with funding (income) generated through returns on its investments. The RTA is therefore reliant upon investment returns to fund its operating expenditure commitments (i.e. excluding bond refunds). Such returns only accrue to the RTA to the extent that investment values exceed the value of bonds under custody. In view of the current economic climate, there is a degree of uncertainty surrounding the future access of the RTA to investment returns to fund its operations. At 30 June 2020, the RTA is holding 11 months of operating cash reserves based upon budgeted expenses. Should capital losses incurred to 30 June 2020 on the investment portfolio not be recouped within this timeframe, the RTA will need to obtain funding via an alternative means.

As per the section 467 of the *Residential Tenancies and Rooming Accommodation Act 2008*, the RTA represents the State and has all privileges and immunities of the state. Should it be necessary, the State will provide support to ensure that the RTA can comply with its statutory obligations.

Due to the uncertainty described above the RTA has received a letter of comfort from Queensland Treasury on 24 June 2020 assuring finance support through number of mechanisms available to the State, to ensure the RTA can comply with its statutory obligations. The letter acknowledges that there isn't a need for funding from the State at this stage, however should it be necessary, the RTA is advised to liaise with Treasury for the required funding. The letter is effective for the period from 30 June 2020 to 31 August 2021.

After considering all available current information and the financial backing arrangements in place with Queensland Treasury, the directors have concluded that there are reasonable grounds to believe that the RTA will be able to pay its debts as and when they fall due and preparation of the financial statements on a going concern basis is appropriate.

The reporting entity

The consolidated financial statements include all income, expenses, assets, liabilities and equity of the 'economic entity' comprising the RTA and the entity it controls. All transactions and balances internal to the economic entity have been eliminated in full.

The RTA as an economic entity consists of the parent entity together with the RTEO controlled entity. The parent entity financial statements include all income, expenses, assets, liabilities and equity of the RTA only.

2. Objectives and principle activities of the RTA

The RTA's core responsibility is to administer and provide services in accordance with the *Residential Tenancies and Rooming Accommodation Act 2008* (RTRA).

The RTA's strategic objectives include:

- Customers value our services – because they are tailored to their needs and provide positive experiences;
- Provide smart digital services – that deliver easy to use, accessible and targeted service channels;
- Business efficiency – focusses on business improvements, systems and resources to deliver streamlined services to our customers;
- Customer focussed workforce – where our people are highly capable and agile to deliver services and support our customers.

The RTA supported the government's objectives for the community Our Future State: Advancing Queensland's Priorities to be a responsive government by providing targeted services that meet our clients' needs and balance the rights and responsibilities of all stakeholders in Queensland's residential rental sector.

The RTA is a statutory body under Section 9 of the *Financial Accountability Act 2009* (Qld). The RTA falls within the portfolio of the Minister for Department of Housing and Public Works, Minister for Digital Technology, Minister for Sport.

Section 491 of the RTRA Act establishes the RTEO as a statutory body for the purposes of the *Financial Accountability Act 2009* (Qld).

To ensure full transparency of the services and functionality that the RTEO provides the RTA, a Work Performance Arrangement was developed in accordance with Section 493 of the RTRA Act. This document provides the authority under which employees of the RTEO perform work for the RTA and stipulates operational activities of the RTEO effective from 1 July 2008.

RTA funds management

The RTA is a custodian of rental bond monies and is unable to utilise such funds to support operations in accordance with Sections 152 and 153 of the RTRA Act.

The RTA manages cash in accordance with Part 3, Division 5 of the RTRA Act and invests that cash in accordance with provisions and regulations of the SBFA Act.

3. Controlled entity of the RTA

The following entity is controlled by the Residential Tenancies Authority:

Directly controlled

Name:	Residential Tenancies Employing Office
Purpose and principal activity:	Employs staff to perform work for the parent entity as per the work performance agreement between the two entities in accordance with the RTRA Act.
Nature of relationship:	The *Statutory Bodies Legislation Amendment Act 2007* (Qld) amended the *Residential Tenancies Act 1994* (Qld) to allow the RTA to enter into a Work Performance Arrangement with the RTEO. This arrangement details how the RTEO provides employment services to the RTA. The RTEO invoices the RTA on a yearly basis for all expenses incurred as part of the arrangement.
Auditor and audit fees:	Queensland Audit Office (QAO) 2020: $3,100 (2019: $3,100)
Financial information:	
Total assets: $4.71 M (2019: $4.46 M)	Total revenue: $20.62 M (2019: $19.42 M)
Total liabilities: $4.71 M (2019: $4.46 M)	Total operating result: $nil (2019: $nil)

4. Investment returns

	Group		Parent	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Investment revenue				
Interest on cash assets and investments				
Investment distribution income	**23,744**	25,972	**23,744**	25,972
Bank interest	**1,207**	1,574	**1,205**	1,570
Total investment revenue	**24,951**	27,546	**24,949**	27,542
Fair value gain on investments	**-**	12,749	**-**	12,749
Expenses				
Fair value loss on investments	**41,623**	-	**41,623**	-

Accounting policy – investment revenue recognition

Changes in the net market value of investments are recognised in the period in which they occur. The net market value is based on the closing unit redemption price and includes both realised and unrealised movements. Distributions are reinvested into either Queensland Investment Corporation (QIC) managed funds or Queensland Treasury Corporation (QTC) Guaranteed Capital Cash Fund. Any interest derived on funds invested with other financial institutions is brought to account when earned.

5. Employee expenses

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Employee benefits				
Salaries and wages *	**15,993**	14,572	**263**	274
Allowances	**113**	60	**-**	-
Annual leave expense	**1,721**	1,520	**29**	21
Long service leave expense	**561**	629	**10**	5
Employer superannuation contributions	**2,079**	1,954	**38**	46
Total employee benefits	**20,467**	18,735	**340**	346
Employee related expenses				
Fringe benefits tax	**57**	28	**57**	28
Workers' compensation insurance	**92**	104	**79**	3
Payroll tax	**834**	934	**24**	24
Other employee related expenses	**258**	342	**255**	338
Total employee related expenses	**1,241**	1,408	**415**	393
**Total employee expenses ** **	**21,708**	20,143	**755**	739

* Salaries and wages includes $265,925 of $1,250 one-off, pro-rata payments for 213 full-time equivalent employees. This amount has been offset by the refund made by the Department of Housing and Public Works for the same amount.

** No redundancies were paid in the 2019–20 or 2018–19 financial years.

	Group 2020 No.	Group 2019 No.	Parent 2020 No.	Parent 2019 No.
The number of employees as at 30 June including both full-time employees and part-time employees measured on a full-time equivalent basis is:	**204**	201	**1**	1

Accounting policy – wages, salary and sick leave

All employees of the RTEO and of the RTA are employed under the Act. No employees are employed under the *Public Service Act 2008* (Qld) (Section 311C). Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position as at the current salary rates.

As the RTA expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

5. Employee expenses (continued)

Accounting policy – superannuation

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

Defined contribution plans – Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA 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 obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the RTA at the specified rates following completion of the employee's service pay each pay period. The RTA's obligations are limited to those contributions paid.

Accounting policy – workers compensation premiums

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

6 (a). Supplies and services

	Group		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Delivery of service expenses	**950**	965	**950**	965
Board fees	**143**	142	**143**	142
Building epenses	**338**	306	**338**	306
Office expenses	**80**	171	**80**	171
Contractors and consultants	**6,063**	2,525	**6,062**	2,524
Less: capitalised costs	**(1,549)**	(681)	**(1,208)**	(681)
Investment fees	**1,803**	1,797	**1,803**	1,797
Technology expenses	**2,733**	2,015	**2,733**	2,015
Legal expenses	**59**	59	**59**	59
Operating lease rental	**-**	2,214	**-**	2,214
Client engagement expenses	**104**	108	**103**	101
RTEO service fees	**-**	-	**20,614**	19,412
Other supplies and services	**196**	154	**197**	153
Total supplies and services	**10,920**	9,775	**31,874**	29,178

6 (b). Finance costs

	Group		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Interest on lease liabilities	**102**	-	**102**	-
Total Finance costs	**102**	-	**102**	-

7. Depreciation and amortisation

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Depreciation and amortisation were incurred in respect of:				
Plant and equipment	57	95	57	95
Leasehold improvements	75	275	75	275
Intangible assets				
Internally generated software	1,272	1,183	1,272	1,183
Purchased software	12	10	12	10
Depreciation of right-of-use assets	1,715	-	1,715	-
Total depreciation and amortisation	**3,131**	1,563	**3,131**	1,563

8. Other expenses

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
External audit fees *	37	37	34	34
Internal audit fees	126	62	126	62
Bad and impaired debts	25	68	25	68
Special payments	2	-	2	-
Insurance premiums	26	23	26	23
Total other expenses	**216**	190	**213**	187

* Total external audit fees paid to QAO relating to the 2019–20 financial year are estimated to be $37,400 for the group (2018–19: $36,500 for the group). There are no non-audit services included in this amount.

9. Cash and cash equivalents

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash at bank	4,580	3,354	4,438	3,323
Queensland Treasury Corporation (QTC)	72,265	71,376	72,265	71,376
Total cash and cash equivalents	**76,845**	74,730	**76,703**	74,699

Accounting policy – cash and cash equivalents

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 including deposits at call with financial institutions. It also includes investments with short periods to maturity that are readily convertible to cash at the RTA's option.

10. Other financial assets

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Managed funds – QIC	**870,950**	880,759	**870,950**	880,759
Total other financial assets	**870,950**	880,759	**870,950**	880,759

Represented by:

Group and Parent

QIC Investment Products as at 30 June 2020	Annual average return on investments	Treasurer approved strategic asset allocation parameter	Actual Allocation	Amount $'000
QIC Cash Enhanced Fund	1.66%	0% – 60%	0.43%	3,740
QIC Global Credit Fund	2.45%	10% – 45%	39.08%	340,363
QIC Global Credit Opportunities Fund	1.99%	0% – 20%	0.18%	1,553
QIC Long Term Diversified Fund*	-3.21%	0% – 30%	26.31%	229,190
QIC Property Fund	-16.64%	5% – 20%	14.02%	122,075
QIC Short Term Income Fund**	2.30%	10% – 30%	19.98%	174,029
Total Portfolio	**-2.02%**		**100.00%**	**870,950**

QIC Investment Products as at 30 June 2019	Annual average return on investments	Treasurer approved strategic asset allocation parameter	Actual Allocation	Amount $'000
QIC Bond Plus Fund	3.78%	10% – 30%	20.19%	177,839
QIC Cash Enhanced Fund	2.57%	0% – 60%	13.06%	114,964
QIC Global Credit Fund	5.05%	10% – 45%	38.99%	343,419
QIC Global Credit Opportunities Fund	-0.89%	0% – 20%	0.18%	1,572
QIC Growth Fund	7.15%	0% – 30%	10.48%	92,316
QIC Property Fund	4.10%	5% – 20%	17.10%	150,649
Total Portfolio	**4.56%**		**100.00%**	**880,759**

* QIC Growth Fund renamed as QIC Long Term Diversified Fund.

** QIC Bond Plus Fund renamed as QIC Short Term Income Fund.

Accounting policy – other financial assets

Managed funds, managed by fund manager QIC, are generally available at call. These investments are held at market value in a portfolio of six products covering various levels of investment risk and investment return. The RTA does not engage in any transactions for speculative purposes.

The RTA values the investment portfolio at market value as stated by the QIC investment portfolio funds manager and is categorised as level 2 with the exception of the QIC Property Fund which is level 3 in the fair value hierarchy. Refer to Note 11 for further information regarding the RTA's fair value accounting policies.

11. Fair value measurement

(a) Accounting policies and inputs for fair values

What is 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/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. The RTA's investment portfolio is valued at the market value as measured by the QIC portfolio funds manager and does not apply any other unobservable assumptions or judgements to the fair value assessment.

The market value of each of the funds the RTA invests in is determined as a function of the value of the investments the fund holds. Such investments are ordinarily valued using level 1 or 2 inputs. The exception is the QIC Property Fund, the value of which is determined by the value of real property assets which include level 3 valuation inputs.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Fair value measurement hierarchy

Details of individual assets and liabilities measured under each category of fair value are shown below.

All assets and liabilities of the RTA and its controlled entity for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1	represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
Level 2	represent fair value measurements that are substantially derived from inputs other than quoted prices included within level 1 that are observable, either directly or indirectly; and
Level 3	represents fair value measurements that are substantially derived from unobservable inputs.

The RTA and its controlled entity values the investment portfolio at market value as stated by the QIC investment portfolio funds manager which is categorised per the following fair value hierarchies as per the below table. There were no transfers of assets between fair value hierarchy levels during the period.

QIC Investment Products as at 30 June 2020	30 June 2020 Amount $'000	30 June 2019 Amount $'000	Fair value hierarchy category
QIC Cash Enhanced Fund	3,740	177,839	Level 2
QIC Global Credit Fund	340,363	114,964	Level 2
QIC Global Credit Opportunities Fund	1,553	343,419	Level 2
QIC Long Term Diversified Fund	229,190	1,572	Level 2
QIC Property Fund	122,075	92,316	Level 3
QIC Short Term Income Fund	174,029	150,649	Level 2
Total Portfolio	**870,950**	880,759	

For short term trade receivables and payables with a contractual maturity date of one year or less, the carrying amount, as adjusted for any allowances for impairment, is deemed to reflect the fair value. There are no other assets or liabilities of the RTA which are measured at fair value. There were no transfers of assets between fair value hierarchy levels during the period.

12. Receivables

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Debtors	**541**	215	**185**	141
Less: allowance for expected credit losses	**(70)**	(73)	**(70)**	(73)
	471	142	**115**	68
Accrued interest revenue	**53**	141	**53**	141
GST receivable	**397**	133	**397**	133
Total receivables	**921**	416	**565**	342

13. Other assets

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Prepayments	**434**	253	**367**	253
Total current	**434**	253	**367**	253
Non current				
Prepayments	**62**	54	**62**	54
Total non current	**62**	54	**62**	54
Total other assets	**496**	307	**429**	307

14. Intangible assets

	Group		Parent	
	2020 $'000	2019 $'000	2019 $'000	2019 $'000
Software internally generated: at cost				
Gross	**16,400**	15,267	**16,400**	15,267
Less: accumulated amortisation	**(7,473)**	(6,201)	**(7,473)**	(6,201)
	8,927	9,066	**8,927**	9,066
Software purchased: at cost				
Gross	**822**	750	**822**	750
Less: accumulated amortisation	**(688)**	(676)	**(688)**	(676)
	134	74	**134**	74
Work in progress: at cost				
Gross	**256**	21	**256**	21
Total intangible assets	**9,317**	9,161	**9,317**	9,161

Reconciliation of Intangible assets

	Software internally generated	Software purchased	Software work in progress	Total
	Group and Parent			
	$'000	$'000	$'000	$'000
2020				
Carrying amount at 1 July 2019	**9,066**	**74**	**21**	**9,161**
Acquisitions	1,133	72	235	1,440
Amortisation	(1,272)	(12)	-	(1,284)
Carrying amount at 30 June 2020	**8,927**	**134**	**256**	**9,317**
2019				
Carrying amount at 1 July 2018	**9,589**	**84**	**-**	**9,673**
Acquisitions	660	-	21	**681**
Amortisation	(1,183)	(10)	-	**(1,193)**
Carrying amount at 30 June 2019	**9,066**	**74**	**21**	**9,161**

14. Intangible assets (continued)

Accounting policy – recognition and measurement

Intangible assets of the RTA comprise both internally generated and purchased software. Intangible assets with a historical cost or other value equal to or greater than $100,000 are recognised in the financial statements. Items with a lesser value are expensed.

There is no active market for any of the RTA'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. Costs that do not meet the criteria for capitalisation are expensed as incurred.

The residual value is zero for all of the RTA's intangible assets.

Accounting policy – amortisation expense

Key judgement – intangible assets

All intangible assets of the RTA have finite useful lives and are amortised on a straight line basis over their estimated useful life to the organisation. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the useful life of intangibles.

Useful life

Key estimate – intangible assets

For each class of intangible asset the following amortisation rates are used:

Intangible asset	Useful life
Software purchased	3 to 10 years
Software internally generated	5 to 10 years

Accounting policy – impairment

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the RTA determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss in the profit and loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the RTA, including discontinuing the use of the software. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

15. Property, plant and equipment

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Property, plant and equipment: at cost				
Gross	**4,555**	4,459	**4,555**	4,459
Less: accumulated depreciation	**(4,249)**	(4,129)	**(4,249)**	(4,129)
	306	330	**306**	330
Total property, plant and equipment	**306**	330	**306**	330

Reconciliation of Property, plant and equipment

	Plant and Equipment (Group and Parent) $'000	Total (Group and Parent) $'000
2020		
Carrying amount at 1 July 2019	**330**	**330**
Acquisitions	107	107
Depreciation	(131)	(131)
Carrying amount at 30 June 2020	**306**	**306**
2019		
Carrying amount at 1 July 2018	**627**	**627**
Acquisitions	73	73
Depreciation	(370)	(370)
Carrying amount at 30 June 2019	**330**	**330**

15. Property, plant and equipment (continued)

Accounting policy – recognition and acquisition

Basis of capitalisation and recognition thresholds

Items of property, plant and equipment with a historical cost equal to or exceeding the following thresholds in the year of acquisition are reported as property, plant and equipment in the following classes:

Plant and equipment $5,000

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

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the RTA. 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.

Accounting policy – cost of acquisition

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, plus all other costs incurred in getting the assets ready for use.

Accounting policy – depreciation expense

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 RTA.

Key judgement:

Straight line depreciation is used as it is consistent with the even consumption of service potential of these assets over their useful life to the RTA.

Separately identifiable components of complex assets are depreciated according to the useful lives of each component, as doing so results in a material impact on the depreciation expense reported.

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 RTA.

The depreciable amount of improvements to leased buildings is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

For the RTA'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

Depreciation rates for each class of depreciable asset (including significant identifiable components):

Property, plant and equipment	Useful life
Plant and equipment	3 to 20 years
Computer hardware	3 years
Leasehold improvements	10 years

16. Leases

	Group	Parent
	2020 $'000	2020 $'000
Reconciliation of Right-of-use assets		
a) Right-of-use assets: building		
Opening balance at 1 July	3,715	3,715
Depreciation charge	(1,715)	(1,715)
Closing balance at 30 June	2,000	2,000
b) Lease liabilities		
Current		
Lease liabilities	2,480	2,480
Non Current		
Lease liabilities	430	430
Total	2,910	2,910

Reconciliation of lease liabilities

	Office Building
	$'000
At 1 July 2019	**5,234**
Interest expenses	102
Lease payments	(2,426)
30 June 2020	**2,910**

Accounting policy – leases

As described in Note 1, the RTA has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated.

Accounting policy applicable from 1 July 2019

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

To apply this definition the RTA assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the RTA;
- the RTA has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the RTA has the right to direct the use of the identified asset throughout the period of use.

The RTA assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the Statement of Financial Position within a classification relevant to the underlying asset.

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

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs incurred
- an estimate of costs to be incurred in dismantling and removing the underlying asset at the end of the lease

Subsequently, right-of-use assets are measured using the cost model.

The right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Depreciation is recognised in the Statement of Comprehensive Income in 'Depreciation and amortisation'.

At the commencement date of the lease, the lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the RTA's incremental borrowing rate.

The weighted average incremental borrowing rate as of 1 July was 2.44%.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The unwind of the financial charge on the lease liabilities is recognised in the Statement of Comprehensive Income based on the incremental borrowing rate.

The RTA does not recognise leases that have a lease term of 12 months or less or are of low value as a right-of-use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Impairment of right-of-use asset

The RTA tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right-of-use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

The resulting impairment loss is recognised immediately in surplus or deficit.

Lease commitments

2018–19 Disclosures under AASB 117

Operating lease – office building

Commitments under operating leases at 30 June 2019 are inclusive of GST.

	Group	Parent
	2019	2019
	$'000	**$'000**
Less than 12 months	2,710	2,710
More than 12 months and less than 5 years	3,301	3,301
	6,011	6,011

Reconciliation of lease liabilities at 1 July 2019

	Office Building
	$'000
Lease commitments as at 30 June 2019	6,011
Less: GST on lease commitments	(547)
Less: Arrangements that are no longer leases	(84)
Gross lease liabilities as at 1 July 2019	5,380
Discounting	(146)
Lease liabilities as a result of the initial application of AASB 16 as at 1 July 2019	**5,234**

Office accommodation

The lease of premises at 179 Turbot Street ends in August 2021. The RTA has engaged Queensland Government Accommodation Office (QGAO) through The Department of Housing and Public Works (DHPW) to source a suitable office accommodation by August 2021. This arrangement will be expensed as supplies and services as incurred rather than applying AASB 16 Leases. This is due the DHPW having substantive substitution rights over non-specialised, commercial office accommodation and residential premises assets supplied by QGAO within these arrangements.

	Group		Parent	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
17. Payables				
Current				
Payables				
Trade creditors	**5,245**	1,611	**5,168**	1,494
Payables to RTEO	**-**	-	**4,144**	4,357
	5,245	1,611	**9,312**	5,851
Rental bonds and unclaimed monies				
Rental bonds	**943,358**	900,783	**943,358**	900,783
Unclaimed bond monies *	**4,976**	14,478	**4,976**	14,478
	948,334	915,261	**948,334**	915,261
Operating lease payable				
Operating lease payable **	**-**	181	**-**	181
	-	181	**-**	181

* Includes unclaimed amounts in the rental bond account that have been paid by cheque and have not been presented within 15 months.

** Relates to the lease agreement for the RTA's current premises, 179 Turbot St, Brisbane. The lease agreement ends in August 2021. As per Note 1 with the adoption of AASB 16 on 1 July 2019, this balance was offset against the initial carrying value of the right-of-use asset.

Accounting policy – payables

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 and are generally settled on 30 day terms.

Accounting policy – operating lease liabilities

Lease liability amounts in Note 17 relate to amounts payable under AASB 117 Leases and is relevant for the year ended 30 June 2019 comparatives. For the year ended 30 June 2020 AASB 16 Leases has been adopted.

Refer to Note 16 for further details.

Accounting policy – rental bonds and unclaimed monies

In accordance with s116 of the RTRA Act and regulations thereto, a person receiving a rental bond must, within 10 days of receiving it, pay it to the RTA. These bonds are withdrawn when the tenancies are terminated, which can be at any time following bond lodgement. Per AASB 13 *Fair Value Measurement*, the fair value of a financial liability with a demand feature is not less than its carrying value. Bond lodgements are recognised as current liabilities as the RTA does not have an unconditional right to defer settlement beyond 12 months. Bonds are a financial liability and are regarded as being payable on demand.

Under Section 151 of the RTRA Act when a cheque (or electronic funds transfer) has not been presented or successfully transferred to the recipient at least 7 years from the date that the payment was made then it is classified as unclaimed bond monies. These are disclosed as current liabilities and are recognised at the face value of the bond. Unclaimed monies do not lose the demand feature associated with the bond, and are therefore recognised as current liabilities at their undiscounted face value.

During the 2019-20 financial year the RTA obtained approval from the Minister under s151(2) of the RTRA Act to transfer unclaimed bond monies amounting to $9,478,837 aged greater than 7 years out of the rental bond account. Usage of these funds is permitted for the purpose of administering rental advisory services under ss151(2)(a) and 153(1)(a), specifically:

- Additional contact centre costs to support the provision of up to date tenancy information during the COVID-19 pandemic
- Improving the RTA's infrastructure used for administering rental advisory services

As of 30 June 2020, the RTA has spent $3,177,272 of unclaimed bond monies for purposes permitted under the Act.

The RTA has derecognised the liability associated with these unclaimed bond monies with a corresponding gain recognised in income.

The RTA retains an obligation to repay these monies in the event they are claimed, refer Note 24 for further disclosure.

	Group		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
18. Accrued employee benefits				
Current				
Annual leave	**1,695**	1,351	**19**	16
Long service leave	**1,736**	1,942	**7**	7
Accrued wages	**-**	320	**-**	1
Time off in lieu (TOIL)	**13**	13	**-**	-
Total current	**3,444**	3,626	**26**	24
Non current				
Long service leave	**1,214**	745	**-**	2
Total non current	**1,214**	745	**-**	2
Total accrued employee benefits	**4,658**	4,371	**26**	26

All provisions include associated on-costs.

Accounting policy – accrued employee benefits

TOIL, long service leave and annual leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement including on-costs in accordance with AASB 119 *Employee Benefits*.

For unpaid entitlements expected to be wholly settled within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be wholly settled within 12 months, the liabilities are recognised at their present value, calculated using yields on fixed rate commonwealth government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement. Unpaid liabilities are classified as current where the RTA does not have an unconditional right to defer settlement beyond 12 months.

19. Financing arrangements

Access was available at balance date to the following lines of credit:				
Corporate credit cards	**200**	200	**200**	200

20. Financial instruments

(a) Categorisation of financial instruments

The RTA and its controlled entity have the following categories of financial assets and financial liabilities:

	Group		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Category				
Current financial assets				
Financial assets measured at fair value through profit and loss:				
Cash and cash equivalents	**76,845**	74,730	**76,703**	74,699
Other financial assets	**870,950**	880,759	**870,950**	880,759
Financial assets measured at amortised cost:				
Receivables	**921**	416	**565**	342
Total current financial assets	**948,716**	955,905	**948,218**	955,800
Current financial liabilities				
Financial liabilities measured at amortised cost:				
Payables	**5,245**	1,611	**9,312**	5,851
Rental bonds and unclaimed monies	**948,334**	915,261	**948,334**	915,261
Operating lease payable	**-**	181	**-**	181
Lease liabilities	**2,480**	-	**2,480**	-
Total current financial liabilities	**956,059**	917,053	**960,126**	921,293
Non current financial liabilities				
Lease liabilities	**430**	-	**430**	-
Total financial liabilities	**956,489**	917,053	**960,556**	921,293

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

Accounting policy – financial instruments: recognition and classification

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the RTA becomes a party to the contractual provisions of the financial instrument.

(b) Financial risk management

The RTA's activities expose it to a variety of financial risks as set out in the following table.

Risk exposure	Measurement method
Credit risk	Aging analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Investment earnings sensitivity analysis

Financial risk management is implemented pursuant to Government and RTA policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the RTA and its controlled entity.

The RTA and its controlled entity have written principles for overall risk management as well as policies covering specific areas.

20. Financial instruments (continued)

(b) Financial risk management (continued)

The RTA's activities expose it to a variety of financial risks as set out in the following table:

Risk exposure	Credit risk
Definition	Credit risk exposure refers to the situation where the RTA may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.
Exposure	The RTA is exposed to credit risk in respect of its receivables (Note 12), cash and cash equivalents (Note 9) and other financial assets (Note 10). No collateral is held as security and no credit enhancements relate to financial assets held by the RTA or its controlled entity. The combined carrying amount of each of these asset classes as disclosed in Note 20(a) represents the group's maximum exposure to credit risk at 30 June 2020. No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amount as indicated.
Risk management strategies	The RTA and its controlled entity manage credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the RTA invests in secure assets and monitors all funds owed on a timely and ongoing basis. The RTA manages its exposure to credit risk on investments through compliance with the SBFA Act, Queensland Treasury Guidelines and a formal investment strategy approved by the RTA Board. The Treasurer must approve through Section 61A of the SBFA Act the strategic asset allocation parameters. The Treasurer approved the RTA to appoint QIC as its fund manager under section 59 of the SBFA Act on 23 November 2004. The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. No financial assets are past due as at 30 June 2020 (2019: $nil).

Risk exposure	Liquidity risk
Definition	Liquidity risk refers to the situation where the RTA may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
Exposure	The RTA is exposed to liquidity risk in respect of its payables (Note 17a), rental bonds and unclaimed monies (Note 17b) and lease payable (Note 16c).
Risk management strategies	The RTA and its controlled entity manage liquidity risk on the basis of the Investment Policy. This policy aims to reduce the exposure to liquidity risk by ensuring the RTA and its controlled entity have sufficient funds available to meet rental bond, employee and supplier obligations as and when they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities. Cash-flow management is performed daily. In the event that the RTA is unable to meet its financial liability obligations, the RTA has the ability to obtain financial support from Queensland Treasury to meet the shortfall of funds. Refer to Note 1, going concern assessment for further information.

Risk exposure	Market risk
Definition	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 and other price risks are risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or other market factors.
Exposure	The RTA does not trade in foreign currency (other than indirectly through its investments with QIC) and is not materially exposed to commodity price changes. The RTA is exposed to interest rate and other price risks through its large investment with QIC and other short term investments with financial institutions. Through the investment strategy with QIC, the RTA is exposed to the risk of movements in domestic and international bond yields, equity investment values, and exchange fluctuations for investments denominated in foreign currencies, refer (Note 10). The RTA is also exposed to interest rate risk through its cash deposited in interest bearing accounts (Note 9).
Risk management strategies	The RTA manages its exposure to market risk on investments through compliance with the SBFA Act Queensland Treasury Guidelines and a formal investment policy approved by the RTA Board. The Treasurer must approve through Section 61A of the SBFA Act the strategic asset allocation parameters. The Treasurer approved the RTA to appoint QIC as its fund manager under section 59 of the SBFA Act on 23 November 2004.

20. Financial instruments (continued)

(c) Liquidity risk – contractual maturity of financial liabilities

The following table sets out the liquidity risk of financial liabilities held by the RTA and its controlled entity. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date.

		Group				
		Payable in:				
		≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total	Carrying value
	Notes	$'000	$'000	$'000	$'000	$'000
2020						
Financial liabilities						
Payables	17	5,245	-	-	5,245	5,245
Rental bonds and unclaimed monies	17	948,334	-	-	948,334	948,334
Lease payable	16	2,523	432	-	2,955	2,910
Total financial liabilities		**956,102**	**432**	**-**	**956,534**	**956,489**
2019						
Financial liabilities						
Payables	17	1,611	-	-	1,611	1,611
Rental bonds and unclaimed monies	17	915,261	-	-	915,261	915,261
Operating lease payable	17	181	-	-	181	181
Total financial liabilities		**917,053**	**-**	**-**	**917,053**	**917,053**

20. Financial instruments (continued)

(c) Liquidity risk – contractual maturity of financial liabilities (continued)

		Parent				
		Payable in:				
		≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total	Carrying value
	Notes	$'000	$'000	$'000	$'000	$'000
2020						
Financial liabilities						
Payables	17	9,312	-	-	9,312	9,312
Rental bonds and unclaimed monies	17	948,334	-	-	948,334	948,334
Lease payable	16	2,523	432	-	2,955	2,910
Total financial liabilities		**960,169**	**432**	**-**	**960,601**	**960,556**
2019						
Financial liabilities						
Payables	17	5,851	-	-	5,851	5,851
Rental bonds and unclaimed monies	17	915,261	-	-	915,261	915,261
Operating lease payable	17	181	-	-	181	181
Total financial liabilities		**921,293**	**-**	**-**	**921,293**	**921,293**

20. Financial instruments (continued)

(d) Market risk – sensitivity analysis

The RTA and its controlled entity continually assess interest rate exposure and the impact of market volatilities in conjunction with its fund manager, throughout the year. Due to significant increases in volatility experienced in 2019–20 the return variables have increased from prior years. The rates are based upon the expected investment returns. To reflect a similar assessment for the purpose of this report, with all other variables held constant, if the average investment return across the complete portfolio had varied +500 or - 280 basis points for the 2019–20 year, the outcome for the RTA and its controlled entity is summarised in the table below:

	Carrying Amount	Operating Surplus/ (Deficit)	Equity	Operating Surplus/ (Deficit)	Equity
	Group and Parent				
	$'000	$'000	$'000	$'000	$'000
		Return on earnings basis points			
2020 Market risk		280 pts less than actual		500 pts greater than actual	
Investment earning variation	**870,950**	**(24,387)**	**(24,387)**	**43,548**	**43,548**
Actual result		(43,252)	(312)	(43,252)	(312)
Changed result		**(67,639)**	**(24,699)**	**296**	**43,236**
		Return on earnings basis points			
2019 Market risk		50 pts less than actual		20 pts greater than actual	
Investment earning variation	**880,759**	**(4,404)**	**(4,404)**	**1,762**	**1,762**
Actual result		8,639	44,279	8,639	44,279
Changed result		**4,235**	**39,875**	**10,401**	**46,041**

21. Key executive management personnel and remuneration expenses

(a). Key management personnel

The RTA's responsible Minister is the Honourable Michael (Mick) de Brenni MP and is identified as part of the organisation's Key management personnel (KMP).

The following details for non-ministerial executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the RTA and its controlled entity during 2019–20.

Further information on these positions can be found in the body of the Annual Report under the section relating to executive management.

Key management personnel and remuneration disclosures are made in accordance with the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

Since implementing the Roadmap for Success in October 2018 the executive leader roles have been reviewed. This review has led to the change in naming of the roles in the executive team to all include Chief and the role of Director Strategy and Innovation ceasing at 30 June 2020. The Strategy and Innovation function will report to the Chief Financial Officer from 1 July 2020.

21. Key executive management personnel and remuneration expenses (continued)

(a). Key management personnel (continued)

Position	Responsibilities	Changes to positions	
		2020	**2019**
Chief Executive Officer	Leads the Executive Leadership Team to ensure progress on the strategic priorities of the business and engages regularly with industry stakeholders to increase opportunities for collaboration and consultation.	**Current role**	Current role
Chief Financial Officer	Ensures business sustainability by managing financials, meeting governance and legal requirements to assess and mitigate risks, and overseeing investigations for compliance activities.	**Current role:** Acting from 03/02/2020 **Former:** 02/11/2015 – 02/02/2020	Current role
Chief Digital Officer	Manages all information technology and recordkeeping requirements, business systems and applications in partnership with managed services provider Idea 11, and provides business intelligence and smart digital solutions to facilitate strategic direction and priorities.	**Current role**	New role: Current: from 23/7/2018
Chief Customer Experience Officer	Leads the Customer Experience division including Call Centre, Dispute Resolution and Bond Management with the purpose of providing high-quality customer-centric services utilising modern and diverse channels.	**New role:** Acting from 25/03/2020	
Chief People Officer	Leads the People and Culture division which includes specialist teams across Human Resources, Learning and Organisational Development, Communications and Education and Change Management.	**New role:** Acting from 25/03/2020	
Director – People and Culture*	Leads the People and Culture division which includes specialist teams across Human Resources, Learning and Organisational Development, Communications and Education and Change Management.	**Acting:** 3/02/2020 – 24/03/2020	New role: Current: from 12/11/18
Director – Customer Experience*	Leads all customer-facing teams including Contact Centre, Transaction Centre and Dispute Resolution to encourage customer excellence practices with a strong focus on meeting customers' expectations.	**Acting:** 03/02/2020 – 24/03/2020 **Ceased:** 24/03/2020	New role: Current: from 15/11/18
Director – Strategy and Innovation	Supports the strategic direction and priorities of the business through managing relationships with government stakeholders and overseeing the framework and delivery of a portfolio of projects and business improvement initiatives.	**Current role:** from 09/12/2019 **Ceased:** 30/06/2020	New role: Current: from 12/11/18
Exective Program Manager	Provided vision, direction, leadership and governance in establishing and operating a highly efficient and effective investigations department including developing a sustainable approach that ensures effective investigative processes, policies, governance and reporting of all RTA's investigations.	**New role:** from 06/03/2020: 24/04/2020 **Ceased:** 24/04/2020	

* These were retitled to include Chief as part of the executive position review.

21. Key executive management personnel and remuneration expenses (continued)

(b) Remuneration

The remuneration policy for the RTA and its controlled entity is provided for under the Act. Pursuant to this, the executive officer of the RTEO is the same person who holds the existing appointment as the Chief Executive Officer of the RTA. The RTA Chief Executive Officer is appointed by the Governor in Council.

The details of the other terms of employment (including motor vehicle entitlements) for the Chief Executive Officer position are specified in the employment contract. The current Chief Executive Officer has been appointed to the RTA on a fixed three year contract effective from 30 April 2018.

For the 2019–20 year, the remuneration of key executive management did not increase (2018–19 Nil) for Senior Officers and Senior Executive Services, in accordance with government directives.

The remuneration packages for key executive management personnel comprise of the following components: –

- Short term employee benefits which include:
  - Base – consisting of base salary, allowance and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits – consisting of provision of self-education expenses together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include employer superannuation contributions.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payments in lieu of notice on termination, regardless of the reason for termination.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

No performance payments were made to key executive management personnel during the financial year.

1 July 2019 – 30 June 2020

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employee Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits				
	$'000	$'000	$'000	$'000	$'000	$'000
Chief Executive Officer	317		8	26		351
Chief Financial Officer	170		4	18		192
Chief Digital Officer	217		5	24		246
Chief Customer Experience Officer	48		1	5		54
Chief People Officer	48		1	3		52
Director – Strategy and Innovation[2]	155		4	15		174
Director – Customer Experience[1]	100		3	13		116
Director – People and Culture[1]	101		3	11		115
Exective Program Manager	30		1	3		34
Total	**1,186**	**-**	**30**	**118**	**-**	**1,334**

1 – These were retitled to include Chief as part of the executive position review.
2 – The Director Strategy and Innovation position ceased as at 30 June 2020.

21. Key executive management personnel and remuneration expenses (continued)

(b) Remuneration (continued)

1 July 2018 – 30 June 2019

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employee Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits				
	$'000	$'000	$'000	$'000	$'000	$'000
Chief Executive Officer	287		7	33		327
Chief Financial Officer	194		5	21		220
Chief Digital Officer	182		4	20		206
Director – Customer Experience [1]	112		3	13		128
A/IT Director [2]						
Director – Strategy and Innovation	86		2	11		99
Director – People and Culture	87		2	11		100
Director – Service Delivery	47		1	6		54
Director – Policy and Stakeholder Engagement	68		2	8		78
Total	**1,063**	**-**	**26**	**123**	**-**	**1,212**

1 – Multiple resources were assigned to the role of Director of Customer Experience during transformational change.

2 – The A/IT Director was engaged as a contractor via a temporary agency arrangement and is not an employee of the RTA or its controlled entity. Total amount paid for the A/IT Directors services was $24K during the 2018–19 financial year.

(c) Other transactions with key management personnel and their related parties

For the 2019–20 financial year there were no material related party transactions between the RTA and key management personnel other than ordinary citizen transactions.

22. Board disclosures

Section 471 of the Act provides for the RTA to have a Board of Directors. There is no legislative requirement for the RTEO to have a Board.

The Queensland Government determines appropriate payment for part-time chairs and members of government boards, committees and statutory authorities. Payments are made in accordance with the Executive Council minute for each Director appointed as approved by the Governor in Council.

(a) Board members remuneration

	Appointed	Ceased	Group		Parent	
			2020	2019	**2020**	2019
			$'000	$'000	**$'000**	$'000
Mr Paul Melville (Chair)	May 2017		51	51	51	51
Mr Stephen Ryan	Nov 2016		24	21	24	21
Ms Sally Watson	Nov 2016		21	21	21	21
Ms Janet Benson	May 2017		21	21	21	21
Ms Rachel Watson	Dec 2017		21	21	21	21
Ms Christine Castley [1]	Dec 2017		-	-	-	-
Ms Deborah Duffy	Dec 2017		21	21	21	21
Total Board member payments			**159**	156	**159**	**156**

The 2019–20 Board fees included fees of $145,824 plus superannuation of $13,444. The 2018–19 Board fees included fees of $141,514 plus superannuation of $14,486.

[1] – As Ms Castlely is a public sector employee she will not receive remuneration as a Director of the RTA while she remains employed in the public sector.

(b) Other Transactions with Board Members and Board Member Related Entities

The RTA has no dealings with another entity of which a Board Member has a related interest as declared in the Conflicts of Interest Register.

23. Related party disclosures

During the year, the RTA incurred service fee income to its controlled entity, the RTEO, of $20,614,116 (2019: $19,411,950).

For the 2019–20 financial year there were no other material related party transactions.

24. Contingencies

As described in Note 17, the RTA retains an obligation to refund unclaimed bond liabilities which were derecognised during the year, in the event that these bonds are subsequently claimed. The probability of future claims against these funds is low. Over the past seven years the average annual payments made in respect of unclaimed bond monies aged greater than 7 years was $34,000.

25. Commitments

Capital commitments

The RTA and its controlled entity have no capital commitments as at the reporting date.

26. Events occurring after balance date

The RTA and its controlled entity are not aware of any event occurring after balance date that would impact this financial report.

27. Future impact of accounting standards not yet effective

At the date of the authorisation of the financial report, Australian accounting standards and interpretations with future effective dates are either not applicable to or have no material impact on the the activities of the RTA.

28. Taxation

The RTA and its controlled entity are State bodies as defined under the Income Tax Assessment Act 1936 and are exempt from Commonwealth (Cth) taxation with the exception of Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and Pay-As-You-Go (PAYG) withholding requirements.

The RTA and its controlled entity are also required to comply with state taxes such as Payroll Tax (QLD).

Investment activity of the RTA is part of the RTA's overall enterprise. Accordingly, the RTA is subject to Division 70 of the GST Act which reduces the entitlement for GST refundable for acquisitions for the purposes of investment portfolio management.

Effectively, any GST paid on such expenditure is reduced by 25% (e.g. management fees). Additionally, a small percentage of GST paid on overall RTA operational costs is also disallowed.

Income, expenses, assets, and liabilities (excluding receivables and payables respectively) are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or in the amount of the expense.

Receivables and payables are stated with the amount of GST included, where applicable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables, respectively, in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows net of the amount of GST. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Commitments and contingencies are disclosed inclusive of the amount of GST recoverable from, or payable to, the ATO, where applicable.

RTEO and RTA are grouped for GST purposes.

29. Budgetary reporting disclosures

Statement of Comprehensive Income

	Variance notes	Original budget 2020 $'000	Actual 2020 $'000	Variance $'000
Income				
Investment revenue	1	28,020	24,951	(3,069)
Other revenue		-	18	18
Other income	2	-	9,479	9,479
Total income		28,020	34,448	6,428
Expenses				
Employee expenses		21,297	21,708	(411)
Supplies and services	3	8,240	10,920	(2,680)
Finance costs		-	102	(102)
Depreciation and amortisation	4	2,820	3,131	(311)
Fair value loss on investments	5	-	41,623	(41,623)
Other expenses		60	216	(156)
Total expenses		32,417	77,700	(45,283)
Operating result for the year		(4,397)	(43,252)	(38,855)
Other Comprehensive Income		-	-	-
Total Operating Result		(4,397)	(43,252)	(38,855)

29. Budgetary reporting disclosures (continued)

Statement of Financial Position

	Variance notes	Original budget 2020 $'000	Actual 2020 $'000	Variance $'000
Current assets				
Cash and cash equivalents	6	**32,827**	76,845	**44,018**
Other financial assets	7	**913,753**	870,950	**(42,803)**
Receivables	8	**674**	921	**247**
Other current assets		**176**	434	**258**
Total current assets		**947,430**	949,150	**1,720**
Non current assets				
Intangible assets	9	**7,425**	9,317	**1,892**
Property, plant and equipment	10	**1,201**	306	**(895)**
Right-of-use assets		**2,098**	2,000	**(98)**
Other non current assets		**10**	62	**52**
Total non current assets		**10,734**	11,685	**951**
Total assets		**958,164**	960,835	**2,671**
Current liabilities				
Payables	11	**153**	5,245	**(5,092)**
Rental bonds and unclaimed monies		**933,200**	948,334	**(15,134)**
Lease liabilities		**2,910**	2,480	**430**
Accrued employee benefits	12	**2,045**	3,444	**(1,399)**
Total current liabilities		**938,308**	959,503	**(21,195)**
Non current liabilities				
Lease liabilities		**-**	430	**(430)**
Accrued employee benefits		**743**	1,214	**(471)**
Total non current liabilities		**743**	1,644	**(901)**
Total liabilities		**939,051**	961,147	**(22,026)**
Net assets		**19,113**	(312)	**(19,425)**
Equity				
Accumulated surplus		**19,113**	(312)	**(19,425)**
Total equity		**19,113**	(312)	**(19,425)**

29. Budgetary reporting disclosures (continued)

Statement of Cash Flows

	Variance notes	Original budget 2020 $'000	Actual 2020 $'000	Variance $'000
Cash flows from operating activities				
Inflows				
Interest income	13	**659**	1,296	**637**
Bond lodgements		**400,976**	427,119	**26,143**
Other operating receipts		**-**	18	**18**
GST collected from customers		**-**	21	**21**
GST refunds received	14	**824**	1,175	**351**
Outflows				
Bond claims		**(380,000)**	(384,566)	**(4,566)**
Employee expenses		**(21,023)**	(21,492)	**(469)**
Supplies and services		**(8,736)**	(7,736)	**1,000**
Other expenses		**(196)**	(216)	**(20)**
GST paid to suppliers	15	**(824)**	(1,459)	**(635)**
		(102)	(102)	**-**
Net cash provided by/(used in) operating activities		**(8,422)**	14,058	**22,480**
Cash flows from investing activities				
Inflows				
Investments redeemed	16	**27,214**	21,929	**(5,285)**
Outflows				
Payments for property, plant and equipment	17	**(1,200)**	(107)	**1,093**
Payments for intangibles	18	**-**	(1,205)	**(1,205)**
Payments for work in progress		**-**	(236)	**(236)**
Payments for investments	19	**(19,564)**	(30,000)	**(10,436)**
Net cash provided by/(used in) investing activities		**6,450**	(9,619)	**(16,069)**
Cash flows from financing activities				
Outflows				
Repayment of lease liabilities		**(2,324)**	(2,324)	**-**
Net cash provided by/(used in) financing activities		**(2,324)**	(2,324)	**-**
Net increase/(decrease) in cash and cash equivalents		**(4,296)**	2,115	**6,411**
Cash and cash equivalents at beginning of financial year		**37,124**	74,730	**37,606**
Cash and cash equivalents at end of financial year		**32,828**	76,845	**44,017**

29. Budgetary reporting disclosures (continued)

Explanations of major variances

Statement of Comprehensive Income

1 Investment revenue	Investment revenue fell to $25M due to the declining value of investments with QIC. The COVID-19 pandemic had significant impacts to investments.
2 Other income	RTA obtained approval from the Minister under s151(2) of the RTRA Act to transfer unclaimed bond monies amounting to $9.5M (Refer to Note 17).
3 Supplies and services	In response to COVID-19 the RTA utilised a secondary contact centre to respond to additional call volumes across the Queensland rental sector. These costs amounted $3.2M which were not budgeted. When excluded the RTA was under budget.
4 Depreciation and amortisation	Higher than expected capitalisation of intangible assets resulted in an increase in amortisation expenses compared to the budget.
5 Fair value loss on investments	Fair value changes in investments separated from investment revenue in actual results. Loss in fair value of investments ($42M) is attributable to the declining value of investments with QIC. The COVID-19 pandemic had significant impacts to investments.

Statement of Financial Position

6 Cash and cash equivalents	Increase in cash is mainly due to higher than expected rental bond lodgements and higher than budgeted opening cash balances. Rental bond lodgements increased by $26M compared to the budget.
7 Other Financial Assets	The value of QIC investments decreased due to capital losses incurred. The RTA expected a growth of investments by 3% however incurred losses of 2.02%.
8 Receivables	Receivables increased from budget due to increased Goods and Services Tax receivable and one off inter-government recievables of $0.31M.
9 Intangible Assets	Due to changes in the RTA priorities, higher investment ($1.2M) was made in the RTA's web services as opposed to the budgeted expenditure in property, plant and equipment.
10 Property, plant and equipment	Due to changes in the RTA priorities, higher investment was made in the RTA's web services as opposed to the budgeted expenditure of $1.2M in property, plant and equipment.
11 Payables	Payables have increased compared to budget due to the costs incurred for the additional call centre ($2.9M).
12 Accrued employee benefits	Accrued employee benefits are higher than budget due to higher than forecast leave balances.

Statement of Cash Flows

13 Interest Income	Interest income has increased due to increased cash holding resulting from higher than budgeted rental bond lodgements of $26M.
14 GST refunded	GST refunds are over budget due to increase in purchases ($2.7M) during the year and is offset by GST paid to suppliers.
15 GST paid to suppliers	GST payments are over budget due to higher than expected purchases and is offset by GST refunds.
16 Investment redeemed	Due to lower returns, QIC investments paid lower levels of distributions, $22M compared to the $27M budgeted.
17 Payments for property, plant and equipment	Due to changes in the RTA priorities, higher investment was made in the RTA's web services as opposed to the budgeted expenditure in property, plant and equipment.
18 Payments for intangibles	Due to changes in the RTA priorities, higher investment was made in the RTA's web services ($1.2M) as opposed to the budgeted expenditure in property, plant and equipment.
19 Payments for investments	Due to a change in investment targets and increased bond lodgements, $30M cash was invested during the year causing a $10M variance from the budget.

Management Certificate

for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (Qld) (the Act), section 39 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; and

(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 Residential Tenancies Authority and its controlled entities for the financial year ended 30 June 2020 and of the financial position of the Authority and its controlled entities at the end of that year; and

We acknowledge responsibility under s.7 and s.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.

Jennifer Smith

Chief Executive Officer

Paul Melville

Chairperson, RTA Board

21/08/2020

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authority

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Residential Tenancies Authority

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Residential Tenancies Authority (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2020, and their 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 statements of financial position as at 30 June 2020, the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 parent and group 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.

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in the Residential Tenancies Authority's annual report.

The Board is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

The Board 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 Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the parent's and group'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 parent or group 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 entity'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 group.

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- Conclude on the appropriateness of the parent's and group'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 parent's or group'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 parent or group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Board 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.

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 entity's transactions and account balances to enable the preparation of a true and fair financial report.

26 August 2020

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane