

Annual Leave Central Scheme Guidelines

BACKGROUND

The Annual Leave Central Scheme (the ALCS) was established to centrally fund annual leave obligations in the General Government sector. The scheme will become operational from 30 June 2008. Agencies remain responsible for the day to day management of leave liabilities, monitoring levels of liabilities and reporting to the scheme.

The scheme is funded by member agency levies. Levies received will be invested in the Consolidated Fund. The invested funds will be used to reimburse member agencies for the annual leave payments made to their employees.

ESTABLISHMENT OF SCHEME

Immediately prior to the commencement of the scheme, agencies are to calculate and recognise their current and non-current annual leave liabilities by applying their existing policy for salary escalation and by using a discount rate of 7 percent per annum for the non-current portion (i.e. as if the scheme was not coming into effect).

The ALCS will commence as at the close of business 30 June 2008. On this date, agencies will no longer hold the liability for their employees' annual leave entitlements. These liabilities will be held by the Crown at a consolidated whole-of-Government level. Agencies will be required to compensate the Crown for the current portion of these liabilities. Therefore, at 30 June 2008, agencies will derecognise the current and non-current portions of their annual leave liability, including related on-costs and recognise a payable to the Crown equal to the current portion and a non-appropriated equity adjustment for the non-current portion.

The annual leave liabilities calculated immediately prior to the commencement of the scheme, including the split for current and non-current, will be collected through the audited 2007-08 Whole-of-Government Reporting Package (WOG Package). Annual leave data collected through the WOG Package is required for recognition and disclosure of the scheme's annual leave liability in the State Finance Report.

In 2008-09, agencies' payable to the Crown will be settled by a cash equivalent transfer. The cash equivalent transfer is to occur on Tuesday the 9th of September 2008. Monies are to be transferred to Consolidated Fund bank account. Please complete and forward Attachment C "Annual Leave Central Scheme Remittance Advice" for item "current annual leave – cash transfer on establishment".

Where an agency does not have sufficient cash balances to extinguish its payable to the Crown the agency may choose between a Crown loan for the outstanding balance or going into bank overdraft (Treasury Analysts can assist in establishing overdraft facilities where such a facility does not currently exist). Crown loans will be payable within three years of commencement of the scheme with repayments at agency discretion. Loans will incur interest calculated at 7 percent per annum. Agencies will be invoiced annually for interest due, based on the average quarterly outstanding balance.

Please note interest on outstanding balances will not be funded from Consolidated Fund appropriations.

Refer to "Accounting Entries" Note 1 and 2.

MANAGEMENT OF ANNUAL LEAVE

Agencies will continue to be responsible for the management of their employees' annual leave balances. Agencies are to comply with the Department of Industrial Relations Circular No. 6/02 "Accumulating Recreation Leave" to ensure that excessive accumulations of annual leave do not occur.

SCHEME ADMINISTRATION

The scheme is an administrative arrangement within Consolidated Fund. Queensland Treasury is the administrator of the scheme.

Key participants in the operation of the scheme are the Fiscal and Taxation Policy Branch of Queensland Treasury and QSuper Limited. Their respective roles are:

Fiscal and Taxation Policy Branch (Ph 3224 6067)

- Resolving policy issues and policy development
- Administering ALCS loans and interest charges
- Co-ordinating the collection of annual data from agencies to calculate the whole-of-Government annual leave liability for AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*
- Performance monitoring
- Approval of payment of refunds and operating expenses of the scheme

QSuper Limited (HELPDESK Ph 1300 367 845)

- Collection of annual leave levies from participating agencies
- Processing and payment of annual leave claims to participating agencies
- Payment of refunds to participating agencies
- Maintenance of administration records and provision of transactional reporting to Queensland Treasury
- Support agency enquiries in respect of remittance levies and claim payments

SCHEME MEMBERSHIP

Membership to the scheme is mandatory for departments (as defined in the *Financial and Administration and Audit Act 1977*), commercialised business units and shared service providers. The scheme will cover all annual leave entitlements of public service officers and other employees of member agencies. (Refer to Attachment B – ALCS Member Agencies)

LEVY

Member agencies must contribute a levy equal to their accrued quarterly annual leave cost, including leave loading and on-costs.

On-costs

Applicable on-costs including employer superannuation contributions, long service leave levy, workers compensation and payroll tax accrued for annual leave entitlements should be included in members' annual leave levies. On-costs will differ across agencies depending on the entitlements of individual employees and their respective industrial agreements.

Capitalised and on-charged salary and wage costs

Where agencies capitalise or on-charge any salaries and wages, these costs must be included in the calculation of the levy to ensure all employees are fully covered by the scheme.

Secondments

Member agencies are responsible for the payment of the annual leave levy for all employees on their payroll. This includes employees on secondment to other agencies that have been retained on the payroll of the transferring agency.

To ensure that the annual leave levy is borne by the receiving agency, the transferring agency should seek reimbursement of levies paid on the employee's account from the receiving agency.

Where a seconded employee has been retained on the transferring entity's payroll the secondees' salary costs reimbursement must be coded to WOGFIR 511103 by both the transferring and receiving agencies. This will simplify the consolidated reporting and reconciliation process and will ensure that costs are recorded only once.

CLAIMS FOR ANNUAL LEAVE TAKEN

Agencies are responsible for paying employees their annual leave (in-service or cash equivalent). Following the end of each quarter, agencies seek reimbursement from the scheme for actual payments made to employees and associated on-costs.

The scheme does not impose uniform application of on-costs as these costs will differ across agencies depending on the entitlements of individual employees and their respective industrial agreements. Agencies are to seek reimbursement for actual on-costs incurred consistent with those included in the calculation of the annual leave levy.

Where leave loading is paid to employees once a year, for example, in December, agencies should seek reimbursement in the appropriate quarterly claim.

Supporting documentation such as employee names, salary level, length of service, etc does not have to be submitted with the claim, however agencies do need to retain this information for both their own administrative purposes and audit verification.

TRANSFERRED EMPLOYEES

Member agencies must comply with Directive No. 20/05 – Recreation Leave, issued by the Minister for Employment, Training and Industrial Relations.

Pursuant to Directive No. 20/05, transfer payments may be required between a member and non-member agency.

Cash Transfers

In circumstances where a cash transfer is due from a member agency to a non-member agency, the member agency is to pay the non-member agency and seek reimbursement for the transfer from the scheme as part of the quarterly process. Where money has been transferred to a member agency from a non-member agency these funds are to be on-forwarded to the scheme as part of the annual leave levy.

Non-cash Transfers

As members of the ALCS, agencies are not responsible for recording annual leave liabilities in their accounts. As a result, any non-cash transfers between member and non-member agencies do not give rise to the recognition of either an expense or revenue in the members' accounts for the sum transferred. The Crown, as the holder of the annual leave liabilities, will record the respective revenue/expense in relation to the amount of the annual leave entitlement transferred. The Crown will recognise this expense/revenue based on the information provided by agencies in the "Reconciliation of Movements in Annual Leave Entitlements Statement". See Attachment A.

Agencies are however responsible for recognising an annual leave expense for the change in liability transferred in due to higher salary levels on employee commencement. This will ensure that any increase in the Crown's liability due to an employee taking up a position with a member agency at a level of pay higher than that at which the liability was transferred in, is funded by the member agency. (Refer "Accounting Entries" Note 8 for detailed example).

Machinery of Government changes will generally have little impact on the scheme as employees will still be covered by the scheme despite having a different employer.

REMITTANCE AND CLAIM PROCEDURES

QSuper Limited (QSuper) administers the receipt of levies and claim payments for the Annual Leave Central Scheme. All queries in relation to making levy payments or claims through the Electronic Data Collection (EDC) system should be directed to QSuper.

QSuper issues each member agency a pay office number. The pay office number should be quoted in all communications between a member agency and QSuper.

Annual leave levies and claim reimbursements are not to be netted off by agencies.

Levy remittance procedures

Agencies are to pay annual leave (AL) levies, including cash transfers in from non-members, to QSuper quarterly in arrears. Levies are due on the **12th working day** after the end of each calendar quarter.

One levy remittance is to be paid for each pay office code in respect of a quarter (i.e. multiple remittances per pay office code are not permitted).

Levies are to be remitted by electronic funds transfer (EFT). Agencies are to provide AL remittance information via the EDC system to QSuper at least one day prior to the funds transfer for forecasting purposes.

QSuper requires that EFT transactions be made using a pay office specific reference code in the “lodgement reference field” for each EFT remittance. The reference code appears on its bank statement and will assist in identifying the pay office, annual leave scheme and period of the remittance upon receipt.

The reference coding system has three variables:

- 1 Pay office code: agency specific four field code for example 0999
- 2 Scheme code: ALCS (annual leave levy remittance)
- 3 Period end date: example 30092008 (for period ending 30 September 2008)

An example of a complete reference code would be 0999ALCS30092008.

QSuper Banking Details

ACCOUNT NAME: Employers Contribution Account
BSB: 064 013
ACCOUNT NUMBER: 1000 7547

Annual leave claim procedures

Claims are to be submitted to QSuper via the EDC system by the **14th working day** following the end of the calendar quarter. There should be only one claim per agency/pay office code.

Each claim will need to be appropriately authorised in accordance with agency delegations in order for the payment to be processed. QSuper will remit agency claims by the end of the month following the quarter. No claims will be remitted if an agency has not paid its AL levy for the quarter.

ACCOUNTING ENTRIES

Agencies will not hold liabilities for annual leave on their Balance Sheet. Annual leave liabilities of the scheme will be recorded by the Crown (Consolidated Fund) and be reported as part of the State's consolidated financial statements. From 2008-09, the annual leave levy amount is to represent the annual leave expense in the agency's Income Statement.

Accounting entries for annual leave transactions are summarised below.

1. Transfer of annual leave liabilities and recognition of Crown payable as at 30 June 2008

Immediately prior to commencement of the scheme agencies will calculate annual leave liabilities by applying their existing policy for salary escalation and by discounting at a rate of 7 percent per annum.

The ALCS will commence at close of business 30 June 2008. On this date, agencies will de-recognise their annual leave liabilities and associated on-costs with a corresponding payable to the Crown recognised for the current portion and a non-cash, non-appropriated equity adjustment for the non-current portion.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	211654	HOU205	Accrued annual leave C- trf non-cash*	xx	
	221654	HOU205	Accrued annual leave NC- trf non-cash**	xx	
	211913	CRO048	Sundry payable C - trf non-cash*		xx
	314004	CRO048	Non-appropriated equity adjustment**		xx
Crown (Consolidated Fund)	112913	Agency	Sundry receivables - net trfs*	xx	
	314004	Agency	Non-appropriated equity adjustment**	xx	
	211654	HOU205	Accrued annual leave C- trf non-cash*		xx
	221654	HOU205	Accrued annual leave NC- trf non-cash**		xx

* Current portion of de-recognised annual leave liability

** Non-current portion de-recognised annual leave liability

2. Settlement of Crown payables

On the 9th September 2008, agencies are required to make cash payment to settle the Crown payable. Where agencies with insufficient cash balances at this date elect to raise a loan payable with Crown for the outstanding balance, this loan is repayable within three years.

The cash payment is to be made direct to Consolidated Fund bank (i.e. not via QSuper). Attachment C contains ALCS remittance advice – please complete for cash transfer.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	211912	CRO048	Sundry payable - decrease	xx	
	111212	PFE218	Cash at bank		xx
	212132	CRO048	Loans other C – loans raised*		xx
	222132	CRO048	Loans other NC – loans raised*		xx
Crown (Consolidated Fund)	111512	PFE218	Consolidated Fund Bank	xx	
	113132	Agency	Loans other C – loans paid*	xx	
	122132	Agency	Loans other NC – loans paid*	xx	
	112912	Agency	Sundry receivable – decrease		xx

* If an agency has insufficient cash and raised loan payable with Crown.

3. Loan and interest repayments for outstanding loan balances

Crown loans will be payable within three years of commencement of the scheme and will incur interest calculated at 7 percent per annum. Repayments are to be made at agency discretion. Interest will be invoiced and paid annually and calculated on the average quarterly outstanding balance.

Loan repayments and interest are to be paid to Consolidated Fund (i.e. not via QSuper). Attachment C contains ALCS remittance advice – please complete for loan repayments and / or interest on outstanding balance.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	212133	CRO048	Loans other C – loan redemption	xx	
	551906	CRO048	Interest expense	xx	
	111212	PFE218	Cash at bank		xx
Crown (Consolidated Fund)	111512	PFE218	Consolidated Fund bank	xx	
	113133	Agency	Loans other C – loan redemption		xx
	421906	Agency	Interest revenue		xx

4. Accrue monthly annual leave levy and on-costs

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	511201	HOU205	Annual leave expense (incl leave loading and on-costs)	xx	
	211672	CRO048	Annual leave levy payable		xx

5. Quarterly payment of annual leave levy

Cash transfers received in a quarter from non-member agencies should be credited to 211672 and included in member agencies' quarterly levy remittance.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	211672	CRO048	Annual leave levy payable	xx	
	111212	PFE218	Cash at bank		xx
Crown (Consolidated Fund)	111512	PFE218	Consolidated Fund bank	xx	
	211652	HOU205	Annual leave liability		xx

6. Monthly annual leave taken

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	112142	CRO048	Annual leave claim receivable	xx	
	111212	PFE218	Cash at bank		xx

7. Quarterly reimbursement of annual leave claims

Any cash transfers to non-member agencies made by a member agency should be included for reimbursement from the scheme in the quarterly claim.

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	111212	PFE218	Cash at bank	xx	
	112142	CRO048	Annual leave claim receivable		xx
Crown (Consolidated Fund)	589201	DTR045	Administered appropriation	xx	
	111512	PFE218	Consolidated Fund bank		xx
	211652	HOU205	Annual leave liability	xx	
	563003	HOU205	Sundry expenses		xx
Treasury Admin	491201	CRO048	Administered appropriation revenue		xx
	563003	HOU205	Sundry expenses	xx	

8. Non-cash transfers

Member agencies are only required to recognise an expense (or revenue) for the **difference** between the value of the liability transferred, from either another member or non-member agency, and the value of the employee's entitlement on commencement with the member agency.

Transfer from Non-Member example

An employee transfers from a non-member agency with a leave entitlement of 40hrs at \$10 an hour. On commencement with the member agency the employee has the leave entitlement of 40 hrs at \$15 hour. The member agency is to record a levy payable to the ALCS for \$200 (40hrs x (\$15-\$10)) plus associated on-costs. The Crown (Consolidated Fund) would recognise an expense and liability of \$400 plus associated on-costs, representing the annual leave liability transferred in from the non-member agency.

The transferred amount of \$400 plus associated on-costs would be reported in the agencies "Reconciliation of Movements in Annual Leave Entitlements" as a "Transfer in from non-members non-cash". The member agency would record the \$200 plus associated on-costs in the reconciliation as "Current year accrued annual leave".

Entity	WOGFIR	CPID	Description	Dr	Cr
Agency	511201	HOU205	Annual leave expense (incl leave loading and on-costs)	200	
	211672	CRO048	Annual leave levy payable		200

Entity	WOGFIR	CPID	Description	Dr	Cr
Crown (Consolidated Fund)	511201	HOU205	Annual leave expense (incl leave loading and on-costs)	400	
	112112	Agency	Sundry Receivable	200	
	211652	HOU205	Annual leave liability		600

Transfer from another member agency

Assume similar scenario as *transfer from non-member example* except the transfer occurs between member agencies. Neither member agency would record a transaction in their accounts for the \$400 plus associated on-costs. However, the receiving agency would record the additional employee annual leave entitlement of \$200 plus on-costs as in the *transfer from non-member example*.

In the "Reconciliation of Movements in Annual Leave Entitlements" the transferring member agency would report the \$400 transfer as a "Transfer out to member agencies" and the receiving agency would report it as a "Transfer in from member agencies". Again, the receiving member agency would record the \$200 plus associated on-costs in the reconciliation as "Current year accrued annual leave".

MEASUREMENT OF ANNUAL LEAVE CENTRAL SCHEME LIABILITY

The ALCS is not an actuarially assessed scheme. The annual leave liability of the scheme to be reported in the State's Consolidated Financial Statements will be measured based on information provided by member agencies. To this end, member agencies are required to complete and submit by the 31 July annually a "Reconciliation of Movements in Annual Leave Entitlements Statement" for the previous 12 months.

The Reconciliation of Movements in Annual Leave Entitlements Statement to be completed by agencies is contained in Attachment A.

The reconciliation statement is to be signed by the accountable officer of the agency.

It should be noted that "annual leave accrued" (including on-costs) and "transfers in from non-members cash" need to reconcile to levies paid to ALCS. Similarly, "annual leave taken" (including on-costs paid) and "transfers out to non member agencies – cash" must agree to actual claims paid by the scheme to the agency.

Agencies are responsible for calculating salary escalation and NPV adjustments for the financial year ended 30 June 2009 and onwards based on agency experience. Discounting is to be in accordance with accounting standards. The applicable discount rate will be supplied annually by Queensland Treasury. The Crown will record these adjustments based on data supplied by agencies via the reconciliation statement.

Reconciliation of Movements in Annual Leave Entitlements

Member Agency Name:	XXXX	
Financial Year	200X	
		\$'000
Total Employee Annual Leave Entitlements <i>(All line items to include on-costs)</i>	1 July 200X	xxx
Add Current year accrued annual leave		
Add Transfers in from member agencies		
Add Transfers in from non members - cash		
Add Transfers in from non members - non-cash		
Less Annual leave taken		
Less Transfers out to member agencies		
Less Transfers out to non member agencies - cash		
Less Transfers out to non member agencies - non-cash		
Nominal Employee Annual Leave Balance		0
Add Salary escalation (EB increases, salary increments etc)		
Less NPV adjustment		
Total Employee Annual Leave Entitlements	30 June 200X	0
<i>The correct split of annual leave for whole-of-Government purposes is as follows:</i>		
Current		
Non-current		
		0

CERTIFICATION BY ENTITY

For the year ended 30 June xxxx

STATEMENT BY THE ACCOUNTABLE OFFICER

I certify that the attached information is a complete and accurate reflection of transactions and records relating to annual leave for the financial year. XXXXXXXXXXXXX

Signature

Print Name

Designation

Date

ALCS MEMBER AGENCIES

CITEC

Corporate Administration Agency

CorpTech

Child Safety

Communities

Corrective Services

Disability Services Queensland

Education, Training and the Arts (including Corporate and Professional Services)

Electoral Commission of Queensland

Emergency Services

Employment and Industrial Relations

Environmental Protection Agency

Health (including QH Shared Service Provider)

Housing

Infrastructure and Planning

Justice and Attorney-General

Legislative Assembly

Local Government, Sport and Recreation

Main Roads

Mines and Energy

Natural Resources and Water

Office of the Governor

Office of the Ombudsman

Public Service Commissioner

Police

Premier and Cabinet

Primary Industries and Fisheries

Public Works

GoPrint

Project Services

QFleet

Sales and Distribution

QBuild

Shared Service Agency

Queensland Audit Office

Tourism, Regional Development and Industry

Transport

Treasury

Annual Leave Central Scheme Remittance Advice

Parent Entity (Consolidated Fund)

Agency: _____
Contact Name _____
Contact Phone Number _____

EFT Date:

GL Accounts

Current annual leave - cash transfer on establishment	C21165300	
ALCS Loan Repayment	C11313300	
Interest on ALCS Loan	C42190600	
		<u>0</u>

Bank Account Details

BSB 064-013
Account 1000 0070

Please fax advice to
Shared Service Agency
(07) 3224 5300

Telephone: 3227 6174
Email to: helpqtfinance@csq.qld.gov.au