

State Budget 2013-14

Service Delivery Statements

Queensland Treasury and Trade



2013–14 State Budget Papers

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The suite of Budget Papers is similar to that published in 2012-13.

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Service Delivery Statements

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Queensland
Government

Queensland Treasury and Trade

Summary of portfolio budgets

Page	Agency	2012-13 Budget \$'000	2012-13 Est. Actual \$'000	2013-14 Estimate \$'000
2	Queensland Treasury and Trade - controlled	228,527	219,057	228,751
	Queensland Treasury and Trade - administered	6,417,128	7,872,348	6,424,641
32	Motor Accident Insurance Commission/ Nominal Defendant	15,216 59,766	11,725 45,146	11,939 65,608
44	Queensland Future Growth Corporation	15	15	..

Notes:

1. Explanations of variances are provided in the financial statements.

PORTFOLIO OVERVIEW

Ministerial and portfolio responsibilities

The table below represents the agencies and services which are the responsibility of the Treasurer of Queensland and Minister for Trade:

Treasurer of Queensland and Minister for Trade
The Honourable Tim Nicholls MP

Assistant Minister for Finance, Administration and Regulatory Reform
Deb Frecklington MP

Queensland Treasury and Trade
Under Treasurer: Helen Gluer

Service Area 1: Fiscal

Service Area 2: Economic

Service Area 3: Commercial services / Projects Queensland

Service Area 4: Revenue management

Service Area 5: Trade and investment

Motor Accident Insurance Commission/Nominal Defendant
Insurance Commissioner: Neil Singleton

Objective: The Motor Accident Insurance Commission and the Nominal Defendant statutory bodies are focused on ensuring financial protection that makes Queensland stronger, fairer and safer.

Additional information about these agencies can be sourced from:

www.treasury.qld.gov.au

www.maic.qld.gov.au

RESOURCES AND PERFORMANCE

DEPARTMENTAL OVERVIEW

Strategic direction

Queensland Treasury and Trade is focussed on restoring Queensland's position of financial strength through managing a fiscal strategy underpinned by the Government's four principles. The four principles are:

- to stabilise then significantly reduce debt
- to achieve and maintain a General Government sector fiscal balance by 2014-15
- to maintain a competitive tax environment for business
- to target full funding of long term liabilities in accordance with actuarial advice.

To deliver this strategy, Queensland Treasury and Trade's role is to:

- deliver the Queensland State Budget with a strong focus on fiscal repair and consolidation
- provide sound and timely advice on the State's economy to the Treasurer and other key stakeholders
- coordinate regulatory and sectoral reform across Government to enhance productivity and reduce red tape
- provide research, advice and direction to support the Government's objectives in economic, regulatory and sectoral reform and governance
- manage the State's revenue base in a competitive and sustainable way
- investigate and evaluate funding, procurement and delivery models for the State's infrastructure
- assist Queensland companies to access export markets.

In 2013-14, Queensland Treasury and Trade's objectives are to:

- deliver the 2013-14 Budget in accordance with the Government's fiscal principles
- contribute towards the implementation of accepted Commission of Audit recommendations
- closely monitor the outlook for the Queensland economy with a particular emphasis on potential revenue implications
- manage the State Government's involvement in the reform of GST distribution and the ongoing management and reform of intergovernmental agreements and Commonwealth grants
- work closely with key stakeholders on implementing energy and water sector reforms
- release updated population projections for Queensland and its regions for use in service delivery and infrastructure planning
- continue to identify further opportunities to leverage the Office of State Revenue's grants management capability across Government
- finalise contractual arrangements with private sector providers for the Government Wireless Network, construction and facilities management services for a package of 10 schools and the purchase of new six-car train sets to replace an ageing train fleet and cater for increased demand caused by growth in South East Queensland
- prepare business cases for high priority government projects
- collaborate with the Department of State Development, Infrastructure and Planning and the Queensland Resources Council to deliver a Resource Communities Data Portal, which will streamline access to data and reduce costs to project proponents in undertaking environmental impact statements

- monitor and provide advice on Government owned corporation performance and the strategies they are implementing to further improve operational efficiency and performance, whilst ensuring cost-effective infrastructure delivery
- implement all endorsed recommendations contained in the Trade and Investment Queensland Review
- reinvigorate Queensland's State sponsored skilled and business migration program led by Business and Skilled Migration Queensland, a new unit within Trade and Investment Queensland.

The major external factors that may impact on Queensland Treasury and Trade's objectives are:

- ongoing international and domestic economic uncertainty. Continued weak consumer and business confidence across Europe and slower growth in several Asian countries are expected to persist, adversely impacting consumer demand and the demand for Queensland exports
- the Australian dollar is expected to continue to be above historical trend against the US dollar in 2013-14, negatively impacting on Queensland's international competitiveness, especially the manufacturing, agriculture, tourism and education sectors
- taken together, these factors may continue to adversely impact on the State's economic conditions and through revenue impacts, the Government's fiscal repair agenda
- there is an increasing trend for the Commonwealth Government to make unilateral policy announcements that seek to override State spending priorities
- significant variation to rebuilding costs resulting from widespread flooding arising from ex-Tropical Cyclone Oswald
- weather conditions, or more specifically the extent to which the 2013-14 summer season is characterised by natural disasters that impact on the State budget and economy.

Queensland Treasury and Trade's key achievements for 2012-13 were:

- establishing and pursuing a fiscal strategy to meet the Government's fiscal principles, including achieving a general government sector fiscal balance by 2014-15 and responding to the Commission of Audit's recommendations
- establishing the independent Office of Best Practice Regulation within the Queensland Competition Authority to assist with cutting red tape by 20 per cent by 2018
- passage of the legislation to merge the three South East Queensland bulk water entities and significant influence in practical implementation of the merger activities, in accordance with the Government's commitment to reduce the cost of bulk water
- delivering demand mapping to the Queensland School Planning Commission to help identify schools most in need of funding and support
- maintaining an affordable and equitable compulsory third party insurance scheme
- improving monitoring and performance disciplines applied under the corporatisation model on the Government's investment in Government-owned corporations (GOCs) and GOCs' ability to deliver competitive, efficient, cost-effective and timely infrastructure and services
- developing enhanced processes for royalties and finalising the development of a royalties module in the Revenue Management System which allows for electronic lodgement and payment
- developing and implementing a mercantile agent trial to meet the Government's election commitment to trial the use of mercantile agents to act on behalf of Government to recover unpaid fines, with four debt recovery agents operational since November 2012
- redesigning the State Penalties Enforcement Registry website to improve usability and increase transparency of compliance and enforcement process for members of the community who have incurred fines and/or monetary penalties
- implementing an on-line e-business facility which allows for one-off payment, instalment plans and balance enquiries for the State Penalties Enforcement Registry

- implementing the \$15,000 Great Start Grant which supports first home buyers and the construction industry
- establishing Projects Queensland, to deliver value for money from State infrastructure projects with a focus on service delivery to encourage private investment in Queensland infrastructure
- selecting a proponent and commencing construction for the development of 1 William Street
- revising the business case for the Toowoomba Second Range Crossing, focusing on improving safety, minimising costs and maximising benefits. The business case was progressed to Infrastructure Australia for consideration of Australian Government funding
- preparing a successful business case for 10 schools to be delivered by public private partnership
- working closely with all stakeholders to promote better access to overseas markets and encourage overseas investment in Queensland
- staging the annual Premier of Queensland's Export Awards which resulted in the winner of the Small to Medium Manufacturer category, PWR Performance Products, going on to win the Australian Exporter of the Year Award, Australia's highest exporting honour
- co-ordinating three ministerially led trade and investment missions to the key markets of Japan, China, USA, and India accompanied by a large number of participants from Queensland companies
- implementing the principal place of residence concession saving Queenslanders up to \$7,175 when buying a home.

Departmental Budget Summary

The table below shows the total resources available in 2013-14 from all sources and summarises how resources will be applied by service area and by controlled and administered classification.

Queensland Treasury and Trade	2012-13 Budget \$'000	2012-13 Est. Actual \$'000	2013-14 Estimate \$'000
CONTROLLED			
Income			
Appropriation for services			
Deferred from previous year/s	16,924	(12,376)	18,328
Balance of service appropriation	201,469	207,143	195,610
Other revenue	10,134	24,290	14,813
Total income	228,527	219,057	228,751
Expenses			
Fiscal	39,011	25,964	33,222
Economic	35,479	33,100	30,415
Commercial services / Projects Queensland	7,104	24,247	17,102
Revenue management	117,448	108,338	118,050
Trade and investment	28,048	26,136	28,804
Other ¹	2,617	2,309	2,135
Reconciliation adjustment to the Income Statement ²	(1,180)	(1,037)	(977)
Total expenses	228,527	219,057	228,751
Operating surplus/deficit	..	..	..
Net assets	53,014	53,712	45,544
ADMINISTERED			
Revenue			
Commonwealth revenue	13,125,363	12,820,968	14,381,804
Appropriation of administered items	6,368,008	7,810,257	6,382,606
Other administered revenue	12,712,890	12,229,841	13,379,547
Total revenue	32,206,261	32,861,066	34,143,957
Expenses			
Transfers to government	25,786,361	24,994,839	27,719,316
Administered expenses	6,417,128	7,872,348	6,424,641
Total expenses	32,203,489	32,867,187	34,143,957
Net assets	(37,052,473)	(35,694,734)	(44,052,301)
APPROPRIATIONS			
Controlled Items			
Departmental services	218,393	194,767	213,938
Equity adjustment	(7,457)	(7,457)	2,932
Administered items	5,968,938	6,286,395	6,381,839
VOTE TOTAL³	6,179,874	6,473,705	6,598,709

Notes:

1. This represents corporate services to non-departmental services (Motor Accident Insurance Commission and Nominal Defendant).
2. This line represents the eliminations upon consolidation for internal trading between services.
3. As represented in the 2013-14 Appropriation Bills.

Budget Measures Summary

The table shows a summary of Budget measures relating to the Department since the 2012-13 Budget. Further details are contained in Budget Paper No. 4.

Queensland Treasury and Trade	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000
Revenue measures					
Administered	..	235,000	335,000	355,000	380,000
Departmental	..	..	..	..	..
Expense measures					
Administered	..	..	..	..	..
Departmental ¹	2,000	16,902	1,700	1,700	1,700
Capital measures					
Administered	..	..	..	..	..
Departmental	..	..	..	..	..

Notes:

- Expense measures do not reconcile with Budget Paper No. 4 due to the Road Safety measure being reported wholly in the Department of Transport and Main Roads' section of Budget Paper No. 4.

Staffing¹

Service Areas ²	Notes	2012-13 Budget	2012-13 Est. Actual	2013-14 Estimate
Fiscal		146	147	149
Economic	3	215	188	187
Commercial services / Projects Queensland		19	18	19
Revenue management	4	606	602	609
Trade and investment	5	100	112	112
Total services		1,086	1,067	1,076
Corporate services provided to other agencies	6	8	8	7
TOTAL		1,094	1,075	1,083

Notes:

1. Full-time equivalents (FTEs) as at 30 June.
2. Corporate FTEs are allocated across the service to which they relate.
3. The decrease in the 2012-13 Estimated actual is primarily due to rationalisation of roles and functions in areas where vacancies have arisen.
4. The increase in the 2013-14 Estimate primarily relates to the recruitment of additional compliance officers for enhanced compliance efforts.
5. The increase in 2012-13 Estimated actual reflects the fact that the 2012-13 Budget was based on an anticipated restructure of Trade and Investment Queensland (TIQ) during 2012-13 following the TIQ review. The restructure is now not anticipated to be in place until October 2013. In addition, as from 1 April 2013 additional staff were transferred from the Department of Education, Training and Employment as part of Business and Skilled Migration Queensland.
6. Includes staff providing corporate support to the Motor Accident Insurance Commission and Nominal Defendant.

SERVICE PERFORMANCE

The Department reviewed and refined its organisational structure in 2012 realigning commercial, economic and fiscal functions to reduce duplication across the organisation. The new structure emphasises our commercial, fiscal and economic leadership.

The former financial and economic policy service, Government-owned corporations performance and governance service and economic and statistical research service have been replaced by new services being fiscal, economic and commercial services.

Services

Our service areas are:

Fiscal

The Fiscal service area provides policies, strategies and advice at a whole-of-Government level to promote value-for-money service delivery, manage the State's finances in accordance with the Charter of Fiscal Responsibility, and advance the performance of the Queensland economy to support growth and employment.

Key activities undertaken by this service area include:

- developing and monitoring the State Budget
- promoting Queensland's position in negotiations with the Australian Government and other states and territories
- providing financial advice to foster State-wide infrastructure development on behalf of the Government
- delivering financial advice and reports that enable decision making.

Economic

The Economic service area undertakes a range of key activities, including:

- providing the function of the Government Statistician and being the primary source of statistical, economic and demographic research services across Government
- managing the State's interest in the Government-owned corporations sector to deliver market like returns while maintaining service delivery and governance commitments to Queenslanders
- achieving best-practice regulation and reducing red tape
- providing advice about, and oversight of, microeconomic and competition reform
- managing and coordinating intergovernmental fiscal relations issues, including national financial agreements, matters pertaining to the distribution of the GST, and national tax reform
- regulating and improving Queensland's compulsory third party insurance scheme and managing the Motor Accident Insurance and Nominal Defendant funds.

Commercial services / Projects Queensland

The Commercial service area optimises the State's investment in and provision of infrastructure to communities by investigating and evaluating funding, procurement and delivery models, and maximising private investment in Queensland's infrastructure.

Revenue management

The Revenue management service area administers a revenue base of around \$13 billion by delivering and administering simple, efficient and equitable revenue management services for State taxes and royalty revenue. Additional responsibilities include undertaking revenue compliance, grant schemes and debt recovery activities for the State.

This service area achieves its revenue responsibilities by:

- positioning itself as a leading e-business agency with high level client support with firm and fair enforcement
- providing responsive ongoing legislation and revenue policy advice to the State Government
- further progressing the development and implementation of the Revenue Management System to support innovative business practices.

Trade and investment

The Trade and investment service area delivers a suite of client services to help Queensland companies develop markets, improve their export capability and promote trade and investment opportunities. This area has a strong focus on developing and expanding export opportunities in international education and training, food and agribusiness, mining equipment, technologies and services, and construction and infrastructure. This service area also assists investment attraction in agribusiness, resources, industrial biotechnology, infrastructure and tourism development.

Red tape reduction

The Treasurer and Minister for Trade and the Assistant Minister for Finance, Administration and Regulatory Reform are the Ministers responsible for red tape reduction. Queensland Treasury and Trade is responsible for assisting the Treasurer and Assistant Minister in facilitating, co-ordinating, and driving regulatory reform and red tape reduction across the Queensland Government. The Department is also reducing red tape within its own portfolio.

In 2012-13, the Department implemented several important red tape reforms to assist business and home owners, and completed a substantial review of its legislation, identifying a range of Acts that could be repealed or amended. Key reforms include:

- increasing the payroll tax exemption threshold from \$1 million to \$1.1 million, meaning a larger number of businesses will not have the costs and red tape associated with paying payroll tax
- exempting exploration and development expenditure under farm-in arrangements in the resource sector from duty on the transfer of exploration permits under those arrangements, saving industry approximately \$5 million per annum
- enabling the online lodgement and payment of royalties with the Office of State Revenue
- progressing the full or partial repeal of eight Acts, identified as being redundant or able to be simplified
- commencing a review of the Office of State Revenue's forms and procedures to identify where these could be streamlined or simplified to make it easier for business and individual clients to transact with Government.

In 2012-13, Queensland Treasury and Trade also managed implementation of a range of reforms to Queensland's regulatory system, including establishment of the independent Office of Best Practice Regulation (OBPR), co-ordinating the Government's response to OBPR's report on a Framework for Measuring and Reducing the Burden of Regulation, release of revised and improved Regulatory Impact Statement (RIS) System Guidelines and the transfer of key roles in the RIS System to OBPR (i.e. ensuring an independent assessment of whether a RIS is required for regulatory proposals and a rigorous assessment of the adequacy of RISs prepared by agencies).

In 2013-14 a range of further initiatives are planned or are already underway. Queensland Treasury and Trade will continue the review of Office of State Revenue's forms and procedures and undertake a further review of Queensland Treasury and Trade administered legislation. In addition, the Department will be actively involved in the ongoing implementation of key reforms and reviews as part of the Government's framework for measuring and reducing the burden of regulation.

Key elements of the framework include:

- a baseline count of all regulatory requirements for each department and targets for reducing the burden against which departments will be assessed on an annual basis by the OBPR
- an effective RIS system to discourage growth of unnecessary regulation and ensure new regulation is subject to rigorous and transparent consideration of the impacts on all stakeholders
- a permanent mechanism to be established in the OBPR for business and the community to raise regulatory issues
- local governments to be responsible for examining their regulations with the aim of reducing regulatory burden.

2013-14 Service Summary¹

Service area	Sources of Revenue				
	Total cost \$'000	State Contribution \$'000	User Charges \$'000	C'wealth Revenue \$'000	Other Revenue \$'000
Fiscal	33,222	32,197	1,025	..	..
Economic	30,415	25,795	4,620	..	..
Commercial services / Projects Queensland	17,102	10,979	6,123	..	..
Revenue management	118,050	115,818	2,232	..	..
Trade and investment	28,804	27,083	843	..	878
Departmental	227,593	211,872	14,843	..	878
Other²	2,135	2,066	69	..	..
Reconciliation adjustment to the Income Statement³	(977)	..	(977)	..	..
TOTAL⁴	228,751	213,938	13,935	..	878

Notes:

1. Explanations of variances are provided in the financial statements.
2. The total revenue sources do not equal the 'Total income' in the 'Departmental financial statements' as the Department provides corporate services to non-departmental services (Motor Accident Insurance Commission and Nominal Defendant).
3. This line represents eliminations upon consolidation for internal trading between services.
4. This line reconciles to the Income Statement where total cost is represented by total expenses.

Performance Statement

To improve accountability for performance, service standards for the 2013-14 State Budget will only present measures relating to the efficiency or effectiveness of services delivered by government. Measures of input and/or activity will be discontinued from being reported in the Service Delivery Statements. Discontinued measures that remain relevant to the agency's services will continue to be publicly available through alternative communication channels. For details on measures which are being discontinued and where this information may be accessed in the future, please refer to the 2013-14 Budget website at www.budget.qld.gov.au.

Queensland Treasury and Trade will undertake a review of its performance measures in 2013-14.

Queensland Treasury and Trade	Notes	2012-13 Target/Est.	2012-13 Est. Actual	2013-14 Target/Est.
Service Area: Fiscal				
Service standards				
Achievement of Government's four fiscal principles				
- to stabilise then significantly reduce debt	1	Partially met	Partially met	Partially met
- to achieve and maintain a general Government sector fiscal balance by 2014-15	1	On track	Not met	Not met
- to maintain a competitive tax environment for business	1	Met	Met	Met
- to target full funding of long term liabilities in accordance with actuarial advice	1	Met	Met	Met
State contribution (\$000)	2	37,792	24,767	32,197
Other revenue (\$000)		1,219	1,197	1,025
Total cost (\$000)		39,011	25,964	33,222
Service Area: Economic				
Service standards				
Stakeholder and client satisfaction with Government Statistician outputs (rated satisfied or very satisfied)				
		95%	95%	95%
State contribution (\$000)	3	30,196	27,791	25,795
Other revenue (\$000)	4	5,283	5,309	4,620
Total cost (\$000)		35,479	33,100	30,415
Service Area: Commercial services / Projects Queensland				
Service standards				
Percentage of key project milestones met				
		New measure	New measure	100%
State contribution (\$000)	5	7,073	10,558	10,979
Other revenue (\$000)	6	31	13,689	6,123
Total cost (\$000)		7,104	24,247	17,102

Queensland Treasury and Trade	Notes	2012-13 Target/Est.	2012-13 Est. Actual	2013-14 Target/Est.
Service Area: Revenue management				
Service standards				
Client satisfaction with services provided		70%	70%	70%
Total revenue dollars administered per dollar expended – accrual	7, 8	\$196	\$196	\$192
Average overdue debt as a percentage of total revenue collected	7, 9	1.5%	1.8%	2%
SPER clearance rate (finalisations/lodgements)		76%	76%	77%
SPER percentage of debt pool under compliance		55%	55%	58%
State contribution (\$000)	10	114,731	105,061	115,818
Other revenue (\$000)	11	2,717	3,277	2,232
Total cost (\$000)		117,448	108,338	118,050
Service Area: Trade and investment				
Service standards				
Number of targeted and qualified leads for Queensland businesses generated through Trade and Investment Queensland's overseas trade missions and other trade and export development activities	12	400	327	400
State contribution (\$000)	13	26,085	24,416	27,083
Other revenue (\$000)		1,963	1,720	1,721
Total cost (\$000)		28,048	26,136	28,804

Notes:

- Further information on service standards for Fiscal is detailed in Budget Paper No. 2.
- The decrease in the 2012-13 Estimated actual is due to funding carried over to future years for projects and internal reallocation of funding to support Government projects managed by Projects Queensland. The subsequent increase in the 2013-14 Target/estimate reflects funding carried over for projects and the estimated impact of the Enterprise Bargaining agreement.
- The decrease in the 2012-13 Estimated actual is primarily due to internal reallocation of funding to support Government projects managed by Projects Queensland, partially offset by funding for the cost of redundancies related to the fiscal repair measures announced in the 2012-13 Budget. At the time of the 2012-13 Budget, this funding was held centrally. The further decrease in the 2013-14 Target/estimate is mainly due to the one-off funding for the cost of redundancies during 2012-13 and the full year impact of savings resulting from these in 2013-14.
- The decrease in the 2013-14 Target/estimate is mainly due to one-off reimbursement of project costs in 2012-13.

5. The increase in the 2012-13 Estimated actual is primarily due to internal reallocation of funding to support Government projects managed by Projects Queensland.
6. The increase in the 2012-13 Estimated actual is primarily due to the volume of reimbursable projects managed by Projects Queensland being unknown when the 2012-13 Target/estimate was developed. The subsequent decrease in the 2013-14 Target/estimate is mainly due to the 2013-14 Target/estimate only reflecting approved reimbursable projects. This figure is likely to change as projects are progressively approved.
7. These measures were developed prior to the Machinery of Government transfer of the State Penalties Enforcement Registry (SPER) into the Revenue management service. As SPER is currently undergoing a review, SPER collections and expenses have been excluded.
8. The decrease in the 2013-14 Target/estimate reflects the full year impact of costs associated with the additional compliance effort in the Office of State Revenue.
9. The increase in the 2012-13 Estimated actual is primarily a result of weaker than expected revenue collection from key sources including royalties.
10. The decrease in the 2012-13 Estimated actual is primarily due to funding carried over for work associated with the SPER system and the trial of using mercantile agents to act on behalf of the State to collect unpaid fines. These are partially offset by funding for the Great Start Grant promotion and the cost of redundancies related to the fiscal repair measures announced in the 2012-13 Budget. The increase in the 2013-14 Target/estimate is due to funding carried over for work associated with the SPER system and increased funding for the Great Start Grant promotion, partially offset by the one-off funding for the cost of redundancies during 2012-13.
11. The increase in the 2012-13 Estimated actual reflects reimbursement of costs for a legal case. The decrease in the 2013-14 Target/estimate is primarily due to a decrease in contributions towards the Grants Management System from Department of Education, Training and Employment. Also contributing is the one-off reimbursement of costs for a legal case during 2012-13.
12. The decrease in the 2012-13 Estimated actual is primarily due to soft global demand, the strong Australian dollar and also reflects the reprioritisation of activities to seek qualified leads and focus effort on converting the leads to international business contracts.
13. The decrease in the 2012-13 Estimated actual is mainly due to funding carried over to future years for Trade and Investment Queensland (TIQ) initiatives. The increase in the 2013-14 Target/estimate primarily represents funding for the reform of TIQ, following the TIQ review.

ADMINISTERED ITEMS

Administered activities are those undertaken by a department on behalf of the Government.

Queensland Treasury and Trade is responsible for overseeing significant administered revenues and expenses. The Department receives a large proportion of the State's taxation, royalties and Australian Government revenue which is used to fund Government priorities.

In addition, the Department administers major grants and subsidies programs and the Government's cash balances and financing requirements.

Financial statements and variance explanations in relation to Administered items appear in the Departmental Financial Statements.

POLICY DECISIONS SINCE THE 2012-13 BUDGET

Insurance Duty Rate Increase

The Government has determined that the rate of duty applicable to insurance premiums for general insurance products will increase to 9% from 1 August 2013. There will be no increase in the duty rate applicable to workers' compensation insurance premiums or Compulsory Third Party motor vehicle insurance premiums. Queensland's insurance duty regime will remain competitive with other states. This measure will assist in meeting the State's contribution to implementation of the National Disability Insurance Scheme (DisabilityCare). Further details of this measure, along with interstate comparisons, are provided in the Revenue Chapter of Budget Paper 2.

Deferral of Increase in Payroll Tax Threshold

Queensland has a highly competitive payroll tax regime, with the lowest rate of payroll tax in Australia (4.75%) and the highest threshold of any mainland state (\$1.1 million). The Government has committed to further enhancing Queensland's competitiveness by increasing the payroll tax threshold to \$1.6 million. The next increase in the payroll tax threshold, to \$1.2 million, which had been intended to take effect from 1 July 2013, will now be deferred until 1 July 2015. Further details of this measure, along with interstate comparisons, are provided in the Revenue Chapter of Budget Paper 2.

COMMUNITY INVESTMENT FUND

Treasury Administered is also responsible for the administration of the Community Investment Fund (CIF).

In keeping with the Government's commitment to reduce red tape, Queensland Treasury and Trade undertook a review of the CIF during 2012-13. This review concluded that the CIF resulted in undue administration and provided no greater transparency than traditional arrangements where agencies would be funded directly from the Consolidated Fund.

Consequently, the Government has approved the abolition of the CIF effective 1 July 2013. All revenues currently directed to CIF will now flow to the Consolidated Fund and all existing CIF commitments will be honoured. Departments which previously received funding for commitments under the CIF will now receive funding for their implementation directly from the Consolidated Fund. To ensure transparency, the Gambling Community Benefit Funds and the Casino Community Benefit Funds will become separate funds within the Department of Justice and Attorney-General with the quantum of funding provided to be calculated on the same basis as existed under the CIF.

Given this arrangement simply removes the "pass-through" mechanism for revenue with expenditure arrangements remaining unchanged, the transition will be budget neutral. The table below outlines the estimated CIF revenue and expenditure commitments for 2012-13. As the CIF will cease to exist from 1 July 2013, the table does not include estimates beyond this date, with details for projects continuing to be shown in departmental Service Delivery Statements.

	2012-13 Budget \$'000	2012-13 Est. Act. \$'000
Opening Cash Balance	6,888	6,888
Revenue		
8.5% of specific gaming taxes ¹	84,399	84,957
Proceeds from sale of authorities and club entitlements	10,800	14,878
Liquor licensing annual fees	19,458	19,458
Additional allocation of wagering taxes ²	38,888	12,245
Appropriation funding	10,945	..
Total Revenue	164,490	131,538
Expenses		
Gambling Community Benefit Fund	42,863	43,477
Casino Community Benefit Funds	7,049	7,150
Office of Liquor and Gaming Regulation	33,335	35,204
Racing Industry Capital Development Scheme ²	38,888	12,245
Stadiums Queensland Debt Servicing	39,583	39,583
Total Expenses	161,718	137,659
Closing Cash Balance³	9,660	767

Notes:

1. Represents 8.5% of wagering, casino, lotteries, keno and gaming machine tax.
2. The decrease in the 2012-13 Estimated actual is primarily due to projects being deferred to future years and funded directly from the Consolidated Fund.
3. The closing cash balance will be returned to the Consolidated Fund via an equity withdrawal.

CAPITAL

Capital program

The departmental capital program mainly relates to ongoing asset replacement, upgrades and enhancements including the Revenue Management System (RMS), the State Penalties Enforcement Registry (SPER) system and Tridata.

Capital expenditure of \$3.323 million planned for 2013-14 includes \$0.95 million for the replacement of the electronic Documents and Records Management system (eDRMS), \$0.5 million for leasehold improvements work, \$0.468 million for ongoing upgrades to the SPER system, and \$0.28 million for the ongoing replacement of the RMS information technology infrastructure.

The current eDRMS is nearing the end of its useful life and requires upgrading to ensure integration with other key corporate systems. The Department plans to replace this system with an Enterprise Content Management system, which is in line with key ICT recommendations contained within the Commission of Audit report.

The SPER system was transferred to the Office of State Revenue as part of the Machinery of Government transfer that occurred during 2011-12. It is a legacy system which requires ongoing upgrades.

In addition, the replacement of an aged legacy claims and policy management system by the Nominal Defendant and Queensland Government Insurance Fund continues. The project commenced in 2011-12 and is expected to be finalised during 2013-14. The total estimated capital expenditure is \$3.3 million, with \$0.248 million being incurred in 2011-12, \$1.502 million planned for 2012-13 and \$1.55 million planned for 2013-14.

Capital budget statement

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Actual \$'000	2013-14 Estimate \$'000
Capital Purchases¹				
Total land, buildings and infrastructure		..	..	..
Total plant and equipment	2	1,534	1,651	1,905
Total other capital	3	5,250	3,450	1,418
Total Capital Purchases		6,784	5,101	3,323

Notes:

1. For more detail on the agency's capital acquisitions please refer to Budget Paper 3.
2. The increase in the 2013-14 Estimate is primarily due to the replacement of IT equipment.
3. The decrease in the 2012-13 Estimated actual is due to the planned replacement of eDRMS during 2012-13 being delayed to 2013-14. The further decrease in the 2013-14 Estimate reflects the RMS enhancements during 2012-13, partially offset by the planned replacement of eDRMS and the SPER system upgrade during 2013-14.

BUDGETED FINANCIAL STATEMENTS

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the Department's budgeted financial statements, as reflected in the Department's financial statements, is provided below.

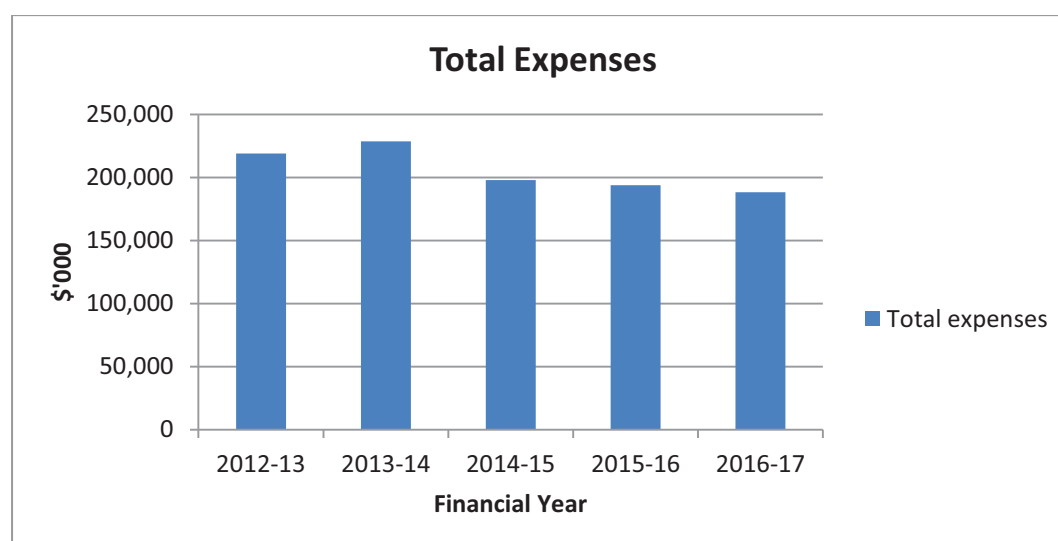
Departmental income statement

Total expenses are estimated to be \$228.751 million in 2013-14, an increase of \$9.694 million from the 2012-13 financial year. The increase is mainly due to costs associated with the wind up of City North Infrastructure Pty Ltd, full year effect of the additional State Revenue compliance effort and increased costs associated with the trial of using mercantile agents to act on behalf of the State Government to recover unpaid fines. Also contributing is a provision for the increase in employee costs as a result of the Enterprise Bargaining agreement and increased costs associated with promoting the Government's Great Start Grant. These increases are partially offset by the one-off cost of redundancies during 2012-13 relating to the fiscal repair measures announced in the 2012-13 Budget.

The decrease in 2014-15 is primarily due to the fact that estimates only reflect costs for approved projects managed by Projects Queensland. Also contributing is the fact that a portion of operational costs of the State Penalties Enforcement Registry is currently excluded from the 2014-15 Estimate as this function continues to undergo review.

The decrease in 2016-17 reflects decreased Revenue Management System (RMS) amortisation expenses as components of the RMS are expected to reach the end of their accounting useful life in 2015-16.

Chart: Total departmental expenses across the Forward Estimates period



Departmental balance sheet

The Department's major assets are in intangibles (\$19.101 million at the end of 2013-14); property, plant and equipment (\$6.951 million at the end of 2013-14) and investments (\$6.832 million at the end of 2013-14). Intangibles are expected to decrease over the next two years as a result of amortisation associated with the RMS software. Property, plant and equipment is expected to increase by 29.6% over the next three years, as a result of planned ICT infrastructure replacement and upgrades. However, consistent with the Commission of Audit recommendations, the future model of IT is presently under review and the Department is likely to transition from an ownership model to a service model at a point in the future. Investments represent the State's investment in the National E-conveyancing Development Limited and are expected to remain constant over the next three years.

The Department's main liabilities relate to operational payables (\$8.169 million at the end of 2013-14) and accrued employee entitlements (\$3.024 million at the end of 2013-14). There are no known factors that will vary these over the next three years.

INCOME STATEMENT

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Income				
Service revenue	1	218,393	194,767	213,938
User charges	2	8,834	23,412	13,935
Grants and other contributions	3	1,300	878	878
Other revenue		..	..	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		228,527	219,057	228,751
Expenses				
Employee expenses	4	123,718	118,852	121,158
Supplies and services	5	85,461	79,732	87,331
Grants and subsidies		25	..	..
Depreciation and amortisation		12,065	11,726	11,640
Finance/borrowing costs		..	..	..
Other expenses	6	7,258	8,747	8,622
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		228,527	219,057	228,751
OPERATING SURPLUS/(DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Net effect of the changes in accounting policies and prior year adjustments		..	..	..
Increase/(decrease) in asset revaluation reserve		..	..	..
Net amount of all revenue and expense adjustments direct to equity not disclosed above		..	..	..
Net income recognised directly in equity		..	..	..
Surplus/(deficit) for the period		..	..	..
Total recognised income and expense for the period		..	..	..
Equity injection/(withdrawal)	7	(7,457)	(7,457)	(8,168)
Equity adjustments (MoG transfers)		..	..	..
Total movement in equity for period		(7,457)	(7,457)	(8,168)

BALANCE SHEET

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CURRENT ASSETS				
Cash assets	8	13,354	16,565	15,448
Receivables		4,705	4,899	4,899
Other financial assets		..	..	..
Inventories		..	..	..
Other	9	5,637	3,966	4,032
Non-financial assets held for sale		..	..	..
Total current assets		23,696	25,430	24,379
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets	10	4,601	6,832	6,832
Property, plant and equipment	11	7,484	7,530	6,951
Intangibles	12	28,298	26,839	19,101
Other	13	560	..	..
Total non-current assets		40,943	41,201	32,884
TOTAL ASSETS		64,639	66,631	57,263
CURRENT LIABILITIES				
Payables		7,885	8,169	8,169
Accrued employee benefits		3,176	3,024	3,024
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other	14	564	1,726	526
Total current liabilities		11,625	12,919	11,719
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits		..	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		..	..	..
TOTAL LIABILITIES		11,625	12,919	11,719
NET ASSETS/(LIABILITIES)		53,014	53,712	45,544
EQUITY				
Capital/contributed equity	15	16,682	15,797	7,629
Accumulated surplus/(accumulated deficit)		36,332	37,915	37,915
Reserves:				
- Asset revaluation surplus		..	..	..
- Other (specify)		..	..	..
TOTAL EQUITY		53,014	53,712	45,544

CASH FLOW STATEMENT

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Service receipts	16	218,393	194,767	213,938
User charges	17	11,558	23,581	12,735
Grants and other contributions	18	1,300	878	878
Other		..	..	..
Outflows:				
Employee costs	19	(123,718)	(118,442)	(121,158)
Supplies and services	20	(92,501)	(83,397)	(87,397)
Grants and subsidies		(25)	..	..
Borrowing costs		..	..	..
Other	21	(7,258)	(8,747)	(8,622)
Net cash provided by/(used in) operating activities		7,749	8,640	10,374
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment and intangibles	22	(6,784)	(5,101)	(3,323)
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(6,784)	(5,101)	(3,323)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	23	1,078	1,078	11,100
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	24	(8,535)	(8,535)	(19,268)
Net cash provided by/(used in) financing activities		(7,457)	(7,457)	(8,168)
Net increase/(decrease) in cash held		(6,492)	(3,918)	(1,117)
Cash at the beginning of financial year		19,846	20,483	16,565
Cash transfers from restructure		..	..	..
Cash at the end of financial year		13,354	16,565	15,448

ADMINISTERED INCOME STATEMENT

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Revenues				
Commonwealth grants	25	13,125,363	12,820,968	14,381,804
Taxes, fees and fines	26	9,731,988	9,807,035	10,492,298
Royalties, property income and other territorial revenue	27	2,932,788	2,353,549	2,824,269
Interest		32,023	31,026	30,835
Administered revenue	28	6,368,008	7,810,257	6,382,606
Other	29	16,091	38,231	32,145
Total revenues		32,206,261	32,861,066	34,143,957
Expenses				
Supplies and services		170,559	172,659	174,646
Depreciation and amortisation		..	..	..
Grants and subsidies	30	359,553	397,907	161,210
Benefit payments		..	..	..
Borrowing costs	31	1,749,715	1,579,472	1,993,222
Other	32	4,137,301	5,722,310	4,095,563
Total expenses		6,417,128	7,872,348	6,424,641
Net surplus or deficit before transfers to Government		25,789,133	24,988,718	27,719,316
Transfers of administered revenue to Government	33	25,786,361	24,994,839	27,719,316
OPERATING SURPLUS/(DEFICIT)	34	2,772	(6,121)	..

ADMINISTERED BALANCE SHEET

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CURRENT ASSETS				
Cash assets	35	698,739	42,832	23,682
Receivables		1,349,629	1,357,745	1,392,073
Inventories		..	..	..
Other		10,345	10,318	10,318
Non-financial assets held for sale		..	..	..
Total current assets		2,058,713	1,410,895	1,426,073
NON-CURRENT ASSETS				
Receivables		161,685	175,957	197,224
Other financial assets		..	..	..
Property, plant and equipment		..	..	..
Intangibles		..	..	..
Other		..	..	..
Total non-current assets		161,685	175,957	197,224
TOTAL ADMINISTERED ASSETS		2,220,398	1,586,852	1,623,297
CURRENT LIABILITIES				
Payables		35,940	27,702	27,702
Transfers to Government payable		1,355,093	1,355,401	1,374,390
Interest-bearing liabilities		8,761	8,760	8,759
Other		16,054	16,054	15,724
Total current liabilities		1,415,848	1,407,917	1,426,575
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities	36	37,857,023	35,873,669	44,249,023
Other		..	..	..
Total non-current liabilities		37,857,023	35,873,669	44,249,023
TOTAL ADMINISTERED LIABILITIES		39,272,871	37,281,586	45,675,598
ADMINISTERED NET ASSETS/(LIABILITIES)		(37,052,473)	(35,694,734)	(44,052,301)
EQUITY				
Capital/Contributed equity	37	(37,067,826)	(35,701,194)	(44,058,761)
Accumulated surplus/(Accumulated deficit)	38	15,353	6,460	6,460
Reserves:				
- Asset revaluation surplus		..	..	..
- Other (specify)		..	..	..
TOTAL ADMINISTERED EQUITY		(37,052,473)	(35,694,734)	(44,052,301)

ADMINISTERED CASH FLOW STATEMENT

Queensland Treasury and Trade	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Administered item receipts	39	6,093,424	7,535,673	6,382,606
Grants and other contributions	40	13,083,783	12,846,160	14,407,304
Taxes, fees and fines	41	9,650,820	9,717,000	10,383,505
Royalties, property income and other territorial revenues	42	2,907,301	2,328,062	2,824,720
Other	43	34,364	43,735	37,150
Outflows:				
Transfers to Government	44	(25,759,491)	(24,967,969)	(27,700,327)
Grants and subsidies	45	(359,553)	(397,907)	(161,210)
Supplies and services		(168,378)	(169,178)	(174,646)
Borrowing costs	46	(1,749,715)	(1,585,790)	(1,993,222)
Other	47	(4,155,397)	(5,797,539)	(4,021,549)
Net cash provided by/(used in) operating activities		(422,842)	(447,753)	(15,669)
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		15,153	15,153	15,153
Outflows:				
Payments for property, plant and equipment and intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made	48	(10,920)	(25,192)	(36,420)
Net cash provided by/(used in) investing activities		4,233	(10,039)	(21,267)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings	49	11,394,823	9,406,894	8,072,315
Equity injections	50	124,486	621,851	..
Outflows:				
Borrowing redemptions		(8,762)	(8,762)	(8,762)
Finance lease payments		..	..	..
Equity withdrawals	51	(11,511,119)	(10,637,278)	(8,045,767)
Net cash provided by/(used in) financing activities		(572)	(617,295)	17,786
Net increase/(decrease) in cash held		(419,181)	(1,075,087)	(19,150)
Administered cash at beginning of financial year		1,117,920	1,117,919	42,832
Cash transfers from restructure		..	..	..
Administered cash at end of financial year		698,739	42,832	23,682

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income statement

1. The decrease in the 2012-13 Estimated actual is primarily due to savings achieved in 2012-13 being carried over to fund whole-of-Government (WoG) initiatives and emergent departmental projects. This is partially offset by funding for promotional costs associated with the Government's Great Start Grant and cost of redundancies related to the fiscal repair measures announced in the 2012-13 Budget. At the time of the 2012-13 Budget, this funding was held centrally. The increase in the 2013-14 Estimate is mainly due to funding carried over for WoG initiatives and emergent departmental projects. Also contributing is additional funding for the Queensland Schools Public Private Partnership (PPP) and the wind up of City North Infrastructure Pty Ltd. This is partially offset by one-off funding in 2012-13 for the cost of redundancies and additional agency savings to reduce expenditure on non-frontline service delivery.
2. The increase in the 2012-13 Estimated actual is primarily due to the volume of reimbursable projects managed by Projects Queensland being unknown when the 2012-13 Budget was developed. The subsequent decrease in the 2013-14 Estimate is mainly due to the 2013-14 Estimate only reflecting approved reimbursable projects managed by Projects Queensland.
3. The decrease in the 2012-13 Estimated actual is primarily due to the cessation of the International Business Cadetship and reductions in joint tenancy revenue associated with overseas Trade and Investment Queensland (TIQ) offices.
4. The decrease in the 2012-13 Estimated actual is primarily due to delays in the recruitment of additional compliance officers in the Office of State Revenue and delays in filling vacancies in TIQ pending the outcome of the TIQ review. This is partially offset by the cost of redundancies related to the fiscal repair measures announced in the 2012-13 Budget. At the time of the 2012-13 Budget, the cost of redundancies was held centrally. The subsequent increase in the 2013-14 Estimate is mainly due to the full year impact of costs associated with additional compliance officers in the Office of State Revenue and the estimated impact of the Enterprise Bargaining Agreement. This is partially offset by one-off cost of redundancies in 2012-13.
5. The decrease in the 2012-13 Estimated actual is primarily due to delays in the trial of using mercantile agents to collect unpaid State Penalties Enforcement Registry (SPER) fines and delays in other emergent projects pending the outcomes of the TIQ review and other WoG reviews. The increase in the 2013-14 Estimate mainly represents costs associated with the SPER mercantile agent trial, Queensland Schools PPP, wind up of City North Infrastructure Pty Ltd and other emergent projects.
6. The increase in the 2012-13 Estimated actual mainly reflects promotion costs associated with the Government's Great Start Grant.

Statement of changes in equity

7. The decrease in the 2013-14 Estimate is mainly due to a one-off equity injection associated with Revenue Management System (RMS) enhancements in 2012-13.

Balance sheet

8. The increase in the 2012-13 Estimated actual is due to revenue received in advance in relation to the Government Precinct Redevelopment project and less than expected capital expenditure in 2012-13. The decrease in the 2013-14 Estimate is primarily due to the usage of unearned revenue for project costs.
9. The decrease in the 2012-13 Estimated actual relates to the transfer of the National E-conveyancing Development Limited (NECDL) investment held in escrow to shares. This is partially offset by the reclassification of security deposits to current assets.
10. The increase in the 2012-13 Estimated actual relates to the transfer of the NECDL investment held in escrow to shares.
11. The decrease in the 2013-14 Estimate mainly relates to the expected depreciation on existing assets during 2013-14, partially offset by capital expenditure planned for 2013-14.
12. The decrease in the 2012-13 Estimated actual mainly relates to the delay in the replacement of the electronic Documents and Records Management system to 2013-14. The decrease in the 2013-14 Estimate is primarily due to amortisation on system assets, partially offset by planned system replacement and enhancements.

13. The decrease in the 2012-13 Estimated actual is due to the reclassification of security deposits to current assets.
14. The increase in the 2012-13 Estimated actual and subsequent decrease in the 2013-14 Estimate reflects the timing of revenue received in relation to long term projects.
15. The decrease in the 2013-14 Estimate is mainly due to equity withdrawal of amortisation funding for the RMS.

Cash flow statement

16. The decrease in the 2012-13 Estimated actual is primarily due to savings achieved in 2012-13 being carried over to fund WoG initiatives and emergent departmental projects. This is partially offset by funding for promotional costs associated with the Government's Great Start Grant and cost of redundancies related to the fiscal repair measures announced in the 2012-13 Budget. At the time of the 2012-13 Budget, this funding was held centrally. The increase in the 2013-14 Estimate is mainly due to funding carried over for WoG initiatives and emergent departmental projects. Also contributing is additional funding for the Queensland Schools PPP and the wind up of City North Infrastructure Pty Ltd. This is partially offset by one-off funding in 2012-13 for the cost of redundancies and additional agency savings to reduce expenditure on non-frontline service delivery.
17. The increase in the 2012-13 Estimated actual is primarily due to the volume of reimbursable projects managed by Projects Queensland being unknown when the 2012-13 Budget was developed. The subsequent decrease in the 2013-14 Estimate is mainly due to the 2013-14 Estimate only reflecting approved reimbursable projects managed by Projects Queensland.
18. The decrease in the 2012-13 Estimated actual is primarily due to the cessation of the International Business Cadetship and reductions in joint tenancy revenue associated with overseas TIQ offices.
19. The decrease in the 2012-13 Estimated actual is primarily due to delays in the recruitment of additional compliance officers in the Office of State Revenue and delays in filling vacancies in TIQ pending the outcome of the TIQ review. This is partially offset by the cost of redundancies related to the fiscal repair measures announced in the 2012-13 Budget. At the time of the 2012-13 Budget, the cost of redundancies was held centrally. The subsequent increase in the 2013-14 Estimate is mainly due to the full year impact of costs associated with additional compliance officers in the Office of State Revenue and the estimated impact of the Enterprise Bargaining Agreement. This is partially offset by one-off cost of redundancies in 2012-13.
20. The decrease in the 2012-13 Estimated actual is primarily due to delays in the trial of using mercantile agents to collect unpaid SPER fines and delays in other emergent projects pending the outcomes of the TIQ review and other WoG reviews. The increase in the 2013-14 Estimate mainly represents costs associated with the SPER mercantile agent trial, Queensland Schools PPP, wind up of City North Infrastructure Pty Ltd and other emergent projects.
21. The increase in the 2012-13 Estimated actual mainly reflects promotional costs associated with the Government's Great Start Grant.
22. The decrease in the 2012-13 Estimated actual mainly relates to the delay in the replacement of the electronic Documents and Records Management system to 2013-14. The decrease in the 2013-14 Estimate is primarily due to RMS enhancements in 2012-13, partially offset by the planned replacement of the electronic Documents and Records Management system and upgrade of SPER system in 2013-14.
23. The Equity injection in 2012-13 relates to funding for the RMS enhancement. The Equity injection in the 2013-14 Estimates relates to capital funding for a program of urban mitigation works across the Airportlink project corridor.
24. The Equity withdrawals in 2012-13 mainly relate to the return of amortisation funding on the RMS. The Equity withdrawal in the 2013-14 Estimate relates to passing on of capital funding to the Brisbane City Council for a program of urban mitigation works across the Airportlink project corridor and the return of amortisation funding on the RMS.

Administered income statement

25. The decrease in the 2012-13 Estimated actual primarily reflects a decrease in the Australian Government's estimate of the 2012-13 GST pool. Also contributing is a deferral of National Partnership Payments relating to the Nation Building (roads) and Seamless National Economy programs from the Australian Government. The increase in the 2013-14 Estimate reflects growth in GST payments to Queensland relative to 2012-13.

26. The increase in the 2012-13 Estimated actual relates to higher than anticipated payroll tax revenue. The increase in the 2013-14 Estimate relates to growth in transfer duty reflecting an improvement in property market activity, increased insurance duty due to the increase in rate of duty applicable to insurance premiums for general insurance products from 1 August 2013, and increased payroll tax revenue reflecting anticipated wage and employment growth.
27. The decrease in the 2012-13 Estimated actual reflects lower coal prices which are expected to improve in 2013-14.
28. Administered appropriation is received from the Consolidated Fund to fund administered expenses. Material changes in administered expenses are outlined in Notes 30 to 32.
29. The increase in the 2012-13 Estimated actual relates to receipts under the *Criminal Proceeds Confiscation Act 2002* and increased capital grants received from the Queensland Reconstruction Authority (QRA) for on-lending to the Queensland Rural Adjustment Authority (QRAA) for Natural Disaster Relief and Recovery Arrangements (NDRRA) events. The decrease in the 2013-14 Estimate reflects receipts under the *Criminal Proceeds Confiscation Act 2002* during 2012-13.
30. The increase in the 2012-13 Estimated actual reflects higher than expected payments relating to the Queensland Building Boost Grant (QBBG). The decrease in the 2013-14 Estimate reflects the slowing of payments as a result of the finalisation of the QBBG as well as the abolition of the Community Investment Fund (CIF) effective 1 July 2013.
31. The decrease in the 2012-13 Estimated actual reflects lower than anticipated borrowings requirements during 2012-13 as a result of lower expenses driving an improved General Government fiscal balance. The increase in the 2013-14 Estimate reflects higher interest expenses resulting from an increase in borrowings.
32. The increase in the 2012-13 Estimated actual and subsequent decrease in the 2013-14 Estimate reflects the higher than average State's share of superannuation beneficiary payments during 2012-13 largely as a result of the voluntary redundancy program.
33. This represents revenues collected on behalf of the Queensland Government which are transferred to the Consolidated Fund. Material changes in administered revenue are outlined in Notes 25 to 27 and Note 29.
34. The 2012-13 operating surplus/ (deficit) relates to the CIF. The decrease in the 2012-13 Estimated actual reflects the utilisation of the surplus CIF cash balance in 2012-13 as a source of funds for grant payments. The CIF will be abolished effective 1 July 2013, resulting in a balanced operating result in the 2013-14 Estimate.

Administered balance sheet

35. The decrease in the 2012-13 Estimated actual is primarily due to the return of funding received for capitalised interest on borrowings to the Consolidated Fund.
36. The decrease in the 2012-13 Estimated actual reflects lower than anticipated borrowings requirements during 2012-13 as a result of lower expenses driving an improved General Government fiscal balance. The increase in the 2013-14 Estimate reflects anticipated borrowings during 2013-14 to meet WoG funding requirements.
37. The increase in the 2012-13 Estimated actual is mainly due to less than anticipated proceeds from borrowings being transferred to the Consolidated Fund, partially offset by the return of funding received for capitalised interest on borrowings to the Consolidated Fund. The decrease in the 2013-14 Estimate reflects the transfer to the Consolidated Fund of proceeds of borrowings during 2013-14.
38. The decrease in the 2012-13 Estimated actual is due to changes in projected operating surplus/(deficit) relating to the CIF as a result of the utilisation of the surplus CIF cash balance in 2012-13 as a source of funds for grant payments.

Administered cash flow statement

39. Administered appropriation is received from the Consolidated Fund to fund administered expenses. Material changes in administered expenditures are outlined in Notes 45 to 47.
40. The decrease in the 2012-13 Estimated actual primarily reflects an overall decrease in the Australian Government's estimate of the 2012-13 GST pool. Also contributing is a deferral of National Partnership Payments relating to the Nation Building (roads) and Seamless National Economy programs from the Australian Government. The increase in the 2013-14 Estimate reflects growth in GST payments to Queensland relative to 2012-13.

41. The increase in the 2012-13 Estimated actual relates to higher than anticipated payroll tax revenue. The increase in the 2013-14 Estimate relates to growth in transfer duty reflecting an improvement in property market activity, increased insurance duty due to the increase in rate of duty applicable to insurance premiums for general insurance products from 1 August 2013, and increased payroll tax revenue reflecting anticipated wage and employment growth.
42. The decrease in the 2012-13 Estimated actual reflects lower coal prices which are expected to improve in 2013-14.
43. The increase in the 2012-13 Estimated actual and subsequent decrease in the 2013-14 Estimate reflect receipts under the *Criminal Proceeds Confiscation Act 2002* during 2012-13.
44. This represents revenues collected on behalf of the Queensland Government which are transferred to the Consolidated Fund. Material changes in administered receipts are outlined in Notes 40 to 43.
45. The increase in the 2012-13 Estimated actual reflects higher than expected payments relating to the QBBG. The decrease in the 2013-14 Estimate reflects the slowing of payments as a result of the finalisation of the QBBG as well as the abolition of the CIF effective 1 July 2013.
46. The decrease in the 2012-13 Estimated actual reflects lower than anticipated borrowings requirements during 2012-13 as a result of lower expenses driving an improved General Government fiscal balance. The increase in the 2013-14 Estimate reflects higher interest expenses resulting from an increase in borrowings.
47. The increase in the 2012-13 Estimated actual and subsequent decrease in the 2013-14 Estimate reflects the higher than average State's share of superannuation beneficiary payments during 2012-13 largely as a result of the voluntary redundancy program.
48. The increase in the 2012-13 Estimated actual and further increase in the 2013-14 Estimate reflect the volume of NDRRA loans made to QRAA.
49. In its capacity as manager of the State's finances, Queensland Treasury and Trade expects to undertake lower borrowings in 2012-13 as a result of lower expenses driving an improved General Government fiscal balance. The 2013-14 Estimate reflects anticipated borrowings during 2013-14 to meet WoG funding requirements.
50. The increase in the 2012-13 Estimated actual reflects the drawdown of remaining funds from the Queensland Future Growth Fund (QFGF) following its anticipated closure effective 1 July 2013. The funds were then transferred to the Consolidated Fund until required to deliver the remaining QFGF projects. The decrease in the 2013-14 Estimate reflects the anticipated closure of QFGF effective 1 July 2013. As the administering department, drawdown from the QFGF pass through the departmental administered accounts as an equity injection and a subsequent equity withdrawal.
51. The decrease in the 2012-13 Estimated actual is due to less than anticipated proceeds from borrowings being transferred to the Consolidated Fund, partially offset by the return of funding received for capitalised interest on borrowings and the transfer of remaining QFGF funds to the Consolidated Fund. The 2013-14 Estimate reflects the transfer of proceeds of borrowings to the Consolidated Fund during 2013-14.

STATUTORY BODIES

MOTOR ACCIDENT INSURANCE COMMISSION/NOMINAL DEFENDANT

AGENCY OVERVIEW

Strategic direction

The Motor Accident Insurance Commission (MAIC) and the Nominal Defendant statutory bodies are focused on ensuring financial protection that makes Queensland stronger, fairer and safer.

To deliver this protection:

- MAIC's role is to regulate and improve Queensland's compulsory third party (CTP) insurance scheme and manage the Motor Accident Insurance and Nominal Defendant funds
- the Nominal Defendant's role is to compensate people who are injured as a result of negligent driving of unidentified and/or motor vehicles with no CTP insurance, and act as the insurer of last resort by meeting the claim costs of any licensed insurer who may become insolvent.

In 2013-14, MAIC and the Nominal Defendant's strategic objectives are to:

- provide a viable and equitable personal injury motor accident insurance scheme
- continually improve the operational performance of the Nominal Defendant
- provide a corporate governance model that facilitates MAIC's vision and meets the State's financial and performance requirements.

In 2013-14, MAIC and the Nominal Defendant will contribute towards the Queensland Government's objectives for the community by:

- lowering the cost of living by monitoring and reporting on CTP scheme affordability
- revitalising front line services by investing in targeted research and service delivery initiatives which benefit motorists and improve health outcomes for people injured in motor vehicle accidents.

The major factors that may impact on MAIC and the Nominal Defendant's objectives include claims trends, delivery costs, broader economic volatility, potential legislative reforms, the risk of insurer insolvency and the challenge of keeping CTP premiums affordable while managing a competitive insurer premium filing model.

RESOURCES AND PERFORMANCE

MAIC and the Nominal Defendant's key achievements for 2012-13 were:

- progressing the development of a new claims management system to replace the aged legacy system that will be unsupported by 2014
- investing in enhanced analytical software and reporting scheme data through the Open Data initiative
- enhancing on-line information available to injured parties to assist them regarding the CTP claims process
- commencing a continuous improvement program to reduce operational costs.

Looking forward, MAIC and the Nominal Defendant's primary focus for 2013-14 includes:

- achieving a 7 per cent reduction in the Nominal Defendant levy from 1 July 2013
- implementing a new Nominal Defendant claims management system
- undertaking a continuous improvement program to reduce operating costs
- implementing enhanced scheme performance monitoring and reporting capability.

STATEMENTS

Staffing¹

Motor Accident Insurance Commission/Nominal Defendant	Notes	2012-13 Budget	2012-13 Est. Actual	2013-14 Estimate
	2	50	50	40

Notes:

1. Full-time equivalents (FTEs) as at 30 June.
2. The decrease in the 2013-14 Estimate is primarily due to cessation of temporary positions as a result of the expected completion of the claims and policy management system replacement project during 2013-14.

Performance Statement

To improve accountability for performance, service standards for the 2013-14 State Budget will only present measures that relate to the efficiency or effectiveness of services delivered. Measures of input and/or activity have largely been discontinued. Discontinued measures that remain relevant to the agency's services will continue to be publicly available through alternative communication channels. For details on measures which are being discontinued and where this information may be accessed in the future, please refer to the 2013-14 Budget website at www.budget.qld.gov.au.

Motor Accident Insurance Commission/Nominal Defendant	Notes	2012-13 Target/Est.	2012-13 Est. Actual	2013-14 Target/Est.
Service standards				
Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings		<45%	<45%	<45%
MAIC funds expended on motor vehicle injury prevention and rehabilitation grants per registered vehicle	1	Amended measure	\$1.62	\$1.56
Percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year		50%	50%	50%
Percentage of Nominal Defendant claims settled within two years of compliance		50%	50%	50%
Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date		95%	95%	95%

Notes:

1. This service standard has been amended since the publication of the 2012-13 Service Delivery Statements. In previous years, this service standard measured grant expenditure funded by the CTP levy (the Statutory Insurance Scheme (SIS) levy). However, other funding sources are available to fully fund grant commitments as grants are funded from the CTP (SIS) levy, penalties revenue and Queensland Investment Corporation investment returns. The amended service standard measures actual grant expenditure per registered vehicle, regardless of the funding source.

INCOME STATEMENT

Motor Accident Insurance Commission	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Income				
User charges		70	70	50
Grants and other contributions		..	..	..
Other revenue	1	19,324	31,639	21,486
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		19,394	31,709	21,536
Expenses				
Employee expenses	2	3,522	3,136	3,533
Supplies and services		2,313	2,175	2,068
Grants and subsidies	3	9,000	6,000	6,000
Depreciation and amortisation		5	5	5
Finance/borrowing costs		..	..	..
Other expenses		376	409	333
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		15,216	11,725	11,939
OPERATING SURPLUS/(DEFICIT)	4	4,178	19,984	9,597

STATEMENT OF CHANGES IN EQUITY

Motor Accident Insurance Commission	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Net effect of the changes in accounting policies and prior year adjustments	
Increase/(decrease) in asset revaluation reserve	
Net amount of all revenue and expense adjustments direct to equity not disclosed above	
Net income recognised directly in equity	
Surplus/(deficit) for the period		4,178	19,984	9,597
Total recognised income and expense for the period		4,178	19,984	9,597
Equity injection/(withdrawal)	
Equity adjustments (MoG transfers)	
Total movement in equity for period		4,178	19,984	9,597

BALANCE SHEET

Motor Accident Insurance Commission	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CURRENT ASSETS				
Cash assets		2,119	2,000	2,000
Receivables		181	68	66
Other financial assets	5	19,421	11,959	12,124
Inventories		..	..	..
Other		246	378	383
Non-financial assets held for sale		..	..	..
Total current assets		21,967	14,405	14,573
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets	6	99,790	123,167	132,633
Property, plant and equipment		25	25	20
Intangibles		..	..	..
Other		..	..	..
Total non-current assets		99,815	123,192	132,653
TOTAL ASSETS		121,782	137,597	147,226
CURRENT LIABILITIES				
Payables		217	225	229
Accrued employee benefits		226	256	284
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total current liabilities		443	481	513
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits		8	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		8	..	..
TOTAL LIABILITIES		451	481	513
NET ASSETS/(LIABILITIES)		121,331	137,116	146,713
EQUITY				
Capital/contributed equity		57,818	57,818	57,818
Accumulated surplus/(accumulated deficit)	7	63,513	79,298	88,895
Reserves:				
- Asset revaluation surplus		..	..	..
- Other (specify)		..	..	..
TOTAL EQUITY		121,331	137,116	146,713

CASH FLOW STATEMENT

Motor Accident Insurance Commission	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		72	68	52
Grants and other contributions		..	..	..
Other	8	19,324	31,639	21,486
Outflows:				
Employee costs	9	(3,508)	(3,123)	(3,505)
Supplies and services		(2,307)	(2,174)	(2,069)
Grants and subsidies	10	(9,000)	(6,000)	(6,000)
Borrowing costs		..	..	..
Other		(376)	(409)	(333)
Net cash provided by/(used in) operating activities		4,205	20,001	9,631
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment and intangibles		..	..	..
Payments for investments	11	(4,205)	(20,120)	(9,631)
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(4,205)	(20,120)	(9,631)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections		..	..	..
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals		..	..	..
Net cash provided by/(used in) financing activities		..	..	..
Net increase/(decrease) in cash held		..	(119)	..
Cash at the beginning of financial year		2,119	2,119	2,000
Cash transfers from restructure		..	..	..
Cash at the end of financial year		2,119	2,000	2,000

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income statement

1. The increase in the 2012-13 Estimated actual is due to a higher than expected rate of return on Queensland Investment Corporation (QIC) investments. The budget assumption for the coming year is based on QIC's estimate of long term average annual rates of return for the portfolio.
2. The decrease in the 2012-13 Estimated actual is primarily due to the 2012-13 Budget including a provision for the estimated impact of the Enterprise Bargaining Agreement. Also contributing are vacancies during 2012-13. The increase in the 2013-14 Estimate reflects a provision for the estimated impact of the Enterprise Bargaining Agreement and an expected reduction in the number of vacancies.
3. The decrease in the 2012-13 Estimated actual is due to proposed investments in research activities not eventuating following a grants review.
4. The increase in the 2012-13 Estimated actual is primarily due to a higher than expected rate of return on investments and decreased grant expenses. The decrease in the 2013-14 Estimate is primarily due to a return to QIC's estimate of long term average rates of return for the portfolio.

Balance sheet

5. The decrease in the 2012-13 Estimated actual is due to a reclassification from current to non-current investments.
6. The increase in the 2012-13 Estimated actual reflects increased investment of surplus funding mainly resulting from higher than expected return on QIC investments. Also contributing is a reclassification of investments from current to non-current. The increase in the 2013-14 Estimate reflects the investment of surplus funding during 2013-14.
7. The increase in the 2012-13 Estimated actual and further increase in the 2013-14 Estimate reflects the projected operating surpluses.

Cash flow statement

8. The increase in the 2012-13 Estimated actual is due to higher than expected returns on QIC investments. The budget assumption for the coming year is based on QIC's estimate of long term average annual rates of return for the portfolio.
9. The decrease in the 2012-13 Estimated actual is primarily due to the 2012-13 Budget including a provision for the estimated impact of the Enterprise Bargaining Agreement. Also contributing are vacancies during 2012-13. The increase in the 2013-14 Estimate reflects a provision for the estimated impact of the Enterprise Bargaining Agreement and an expected reduction in the number of vacancies.
10. The decrease in the 2012-13 Estimated actual is due to proposed investments in research activities not eventuating following a grants review.
11. The increase in the 2012-13 Estimated actual reflects a projected increase in operating surplus, resulting in more funding available for investment. The reduction in the 2013-14 Estimate reflects the investment of the projected operating surplus in 2013-14.

INCOME STATEMENT

Nominal Defendant	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	86,602	146,796	93,348
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		86,602	146,796	93,348
Expenses				
Employee expenses	2	1,462	1,356	1,642
Supplies and services	3	58,240	58,454	63,772
Grants and subsidies		..	..	..
Depreciation and amortisation	4	3	3	86
Finance/borrowing costs		..	..	..
Other expenses	5	61	(14,667)	108
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		59,766	45,146	65,608
OPERATING SURPLUS/(DEFICIT)	6	26,836	101,650	27,740

STATEMENT OF CHANGES IN EQUITY

Nominal Defendant	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Net effect of the changes in accounting policies and prior year adjustments	
Increase/(decrease) in asset revaluation reserve	
Net amount of all revenue and expense adjustments direct to equity not disclosed above	
Net income recognised directly in equity	
Surplus/(deficit) for the period		26,836	101,650	27,740
Total recognised income and expense for the period		26,836	101,650	27,740
Equity injection/(withdrawal)	
Equity adjustments (MoG transfers)	
Total movement in equity for period		26,836	101,650	27,740

BALANCE SHEET

Nominal Defendant	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CURRENT ASSETS				
Cash assets		3,273	3,000	3,000
Receivables		2,771	2,763	2,852
Other financial assets	7	133,625	139,341	148,696
Inventories		..	..	..
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		139,669	145,104	154,548
NON-CURRENT ASSETS				
Receivables		5,071	5,343	5,676
Other financial assets	7	489,734	558,282	595,410
Property, plant and equipment		10	10	7
Intangibles	8	1,750	1,750	3,217
Other		..	..	..
Total non-current assets		496,565	565,385	604,310
TOTAL ASSETS		636,234	710,489	758,858
CURRENT LIABILITIES				
Payables		591	434	484
Accrued employee benefits		150	132	135
Interest-bearing liabilities and derivatives		..	..	..
Provisions	9	44,652	44,652	49,333
Other		23,908	23,508	21,792
Total current liabilities		69,301	68,726	71,744
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits		5	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions	9	167,977	167,978	185,589
Other		..	..	..
Total non-current liabilities		167,982	167,978	185,589
TOTAL LIABILITIES		237,283	236,704	257,333
NET ASSETS/(LIABILITIES)		398,951	473,785	501,525
EQUITY				
Capital/contributed equity		121	121	121
Accumulated surplus/(accumulated deficit)	10	398,830	473,664	501,404
Reserves:				
- Asset revaluation surplus		..	..	..
- Other (specify)		..	..	..
TOTAL EQUITY		398,951	473,785	501,525

CASH FLOW STATEMENT

Nominal Defendant	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	11	87,102	146,632	91,210
Outflows:				
Employee costs	12	(1,458)	(1,352)	(1,639)
Supplies and services	13	(39,592)	(39,963)	(41,430)
Grants and subsidies		..	..	..
Borrowing costs		..	..	..
Other	14	(61)	14,667	(108)
Net cash provided by/(used in) operating activities		45,991	119,984	48,033
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment and intangibles	15	(1,500)	(1,502)	(1,550)
Payments for investments	16	(44,491)	(118,755)	(46,483)
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(45,991)	(120,257)	(48,033)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections		..	..	..
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals		..	..	..
Net cash provided by/(used in) financing activities		..	..	..
Net increase/(decrease) in cash held		..	(273)	..
Cash at the beginning of financial year		3,273	3,273	3,000
Cash transfers from restructure		..	..	..
Cash at the end of financial year		3,273	3,000	3,000

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income statement

1. The increase in the 2012-13 Estimated actual is due to a higher than expected rate of return on Queensland Investment Corporation (QIC) investments. The budget assumption for the coming year is based on QIC's estimate of long term average annual rates of return for the portfolio.
2. The decrease in the 2012-13 Estimated actual is primarily due to the 2012-13 Budget including a provision for the estimated impact of the Enterprise Bargaining Agreement. Also contributing are vacancies during 2012-13. The increase in the 2013-14 Estimate reflects a provision for the estimated impact of the Enterprise Bargaining Agreement and an expected reduction in the number of vacancies.
3. The increase in the 2013-14 Estimate is a result of a projected increase in Nominal Defendant claims costs and movement in outstanding claims liability.
4. The increase in the 2013-14 Estimate reflects amortisation costs associated with the Connect system which is expected to be commissioned in 2013-14. The Connect system replaces the legacy claims and policy management system.
5. The decrease in the 2012-13 Estimated actual is a result of unanticipated FAI-Tail dividends received. The subsequent increase in the 2013-14 Estimate is due to no FAI-Tail dividends forecast to be received. Dividends are treated as a reduction in expenses (revaluation of outstanding claims liability) rather than revenue at the whole-of-Government level.
6. The increase in the 2012-13 Estimated actual is primarily due to a higher than expected rate of return on investments and receipt of unanticipated FAI-Tail dividends. The decrease in the 2013-14 Estimate is primarily due to a return to QIC's estimate of long term average rates of return for the portfolio, together with no FAI-Tail dividends forecast to be received in 2013-14.

Balance sheet

7. The increase in the 2012-13 Estimated actual and the further increase in the 2013-14 Estimate reflect the investment of surplus funding.
8. The increase in the 2013-14 Estimate reflects the planned capital expenditure associated with the Connect system which replaces the legacy claims and policy management system. The Connect system is expected to be commissioned in 2013-14.
9. The increase in the 2013-14 Estimate relates to movements in outstanding claims liability. The 2012-13 Estimated actual and 2013-14 Estimate of outstanding claims liability are based on an actuarial assessment.
10. The increase in the 2012-13 Estimated actual is due to an increase in the projected operating surplus for 2012-13. The further increase in the 2013-14 Estimate reflects a projected operating surplus for 2013-14.

Cash flow statement

11. The increase in the 2012-13 Estimated actual is due to a higher than expected rate of return on QIC investments. The budget assumption for the coming year is based on QIC's estimate of long term average annual rates of return for the portfolio.
12. The decrease in the 2012-13 Estimated actual is primarily due to the 2012-13 Budget including a provision for the estimated impact of the Enterprise Bargaining Agreement. Also contributing are vacancies during 2012-13. The increase in the 2013-14 Estimate reflects a provision for the estimated impact of the Enterprise Bargaining Agreement and an expected reduction in the number of vacancies.
13. The increase in the 2013-14 Estimate is a result of projected increases in Nominal Defendant claims costs.
14. The decrease in the 2012-13 Estimated actual is a result of unanticipated FAI-Tail dividends received. The subsequent increase in the 2013-14 Estimate is due to no FAI-Tail dividends forecast to be received in 2013-14.
15. This reflects capital expenditure associated with the Connect system which replaces the legacy claims and policy management system. The Connect system is expected to be commissioned in 2013-14.
16. The increase in the 2012-13 Estimated actual reflects the investment of higher than expected surplus funding provided by operating activities. The 2013-14 Estimate reflects the investment of the expected surplus funding provided by operating activities during 2013-14.

QUEENSLAND FUTURE GROWTH CORPORATION

AGENCY OVERVIEW

Strategic direction

The Queensland Future Growth Corporation was created as a corporation sole under the *Future Growth Fund Act 2006* to administer the Queensland Future Growth Fund (the Fund). The Fund was established by the previous Government with the net proceeds from the sale of the State's Government-owned energy corporations (Allgas, Sun Retail, Sun Gas and Powerdirect). The net proceeds from the sale of the Mackay and Cairns Airports and holdings in the Brisbane Airport were also deposited into the Fund. In establishing the fund, the former Government intended to illustrate how the proceeds of sale were being utilised, with the legislation prescribing that funding be directed to infrastructure and initiatives benefiting Queensland's economy.

As identified in the 2012-13 Budget, the majority of the funding allocations made by the previous Government from the Fund are now completed, providing an opportunity to review the ongoing operations of the Corporation. There is no financial benefit to the State in continuing to operate the Fund as funding can be directed to specified projects without the need to maintain and account for it in a separate Fund. Maintaining the Fund does not align with the Government's priorities, including the commitment to reduce red tape, as the administrative arrangements and audit requirements for the Fund represent a real leakage of funds from the State and inefficient use of the resources of Queensland Treasury and Trade who are responsible for the Fund's management.

Accordingly, the Government has decided to repeal the *Future Growth Fund Act 2006* and close the Fund. The balance of the Queensland Future Growth Fund will be transferred to the Consolidated Fund until required to deliver the remaining projects.

RESOURCES AND PERFORMANCE

In 2012-13, the Fund allocated an estimated \$110.3 million to initiatives in transport, research and development and education.

Upon its closure effective 1 July 2013, the remaining balance of the Fund will transfer to the Consolidated Fund where it will be held until required to deliver the outstanding Smart State and education infrastructure allocations. The Queensland Government remains committed to the remaining projects of the Fund. In view of this, budget funding allocations for these projects have been made within the Forward Estimates of the relevant departments consistent with the existing funding allocations for these projects. Consequently there will be no impact on the delivery of the remaining projects.

Queensland Future Growth Fund projects	Total original allocation \$'000	Total Savings \$'000 ¹	Actual funding to 30 June 2012 \$'000	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000 ²
Transport infrastructure ³	541,700	..	526,475	15,248	15,225	..
Water infrastructure	1,000,000	..	1,000,000	..	..	..
Clean coal technology	200,000	(67,421)	132,579	..	..	..
Climate change projects	175,000	(94,837)	80,163	..	..	..
Smart State projects	211,000	(13,009)	110,362	29,767	87,629 ⁶	..
Commercial infrastructure including Government- owned corporations ³	500,000	..	500,000	..	..	..
Social housing stock	500,000	..	500,000	..	..	..
Education Infrastructure ⁴	328,200	..	6,100	62,759	322,100 ⁶	..
Total⁵	3,455,900	(175,267)	2,855,679	107,774	424,954	..

Notes:

1. Savings refer to programs or projects ceased by the administering department. All savings were returned to the Consolidated Fund.
2. There will be no allocations from 2013-14 given the anticipated closure of the Queensland Future Growth Fund effective 1 July 2013.
3. Transport infrastructure includes the Mount Isa rail line project which has been re-allocated from Commercial infrastructure.
4. The allocation post 2012-13 is being directed to the capital requirements associated with the transition of Year 7 from primary to secondary school.
5. Includes retained earnings of the Fund that had not been previously allocated.
6. \$55.32 million and \$259.341 million for Smart State and Education Infrastructure projects respectively will be transferred to the Consolidated Fund at the end of the 2012-13 financial year to allocate to these projects as required by the responsible departments.

STATEMENTS

Staffing¹

Queensland Future Growth Corporation	Notes	2012-13 Budget	2012-13 Est. Actual	2013-14 Estimate
	1	..	..	..

Notes:

1. The Queensland Future Growth Corporation does not have any employees. Financial and corporate services are delivered by Queensland Treasury and Trade in accordance with the current service level agreement.

Performance Statement

To improve accountability for performance, service standards for the 2013-14 State Budget will only present measures that relate to the efficiency or effectiveness of services delivered. Measures of input and/or activity have been discontinued.

Queensland Future Growth Corporation	Notes	2012-13 Target/Est.	2012-13 Est. Actual	2013-14 Target/Est.
Service standards	1	..	..	..

Notes:

1. There are no suitable measures of effectiveness or efficiency as the key purpose of the Queensland Future Growth Fund is to provide funding for infrastructure and initiatives in accordance with government guidelines. In addition, the Fund is expected to be closed effective 1 July 2013.

INCOME STATEMENT

Queensland Future Growth Corporation	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	16,456	10,063	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		16,456	10,063	..
Expenses				
Employee expenses		..	..	..
Supplies and services	2	2	2	..
Grants and subsidies		..	..	..
Depreciation and amortisation		..	..	..
Finance/borrowing costs		..	..	..
Other expenses	2	13	13	..
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		15	15	..
OPERATING SURPLUS/(DEFICIT)		16,441	10,048	..

STATEMENT OF CHANGES IN EQUITY

Queensland Future Growth Corporation	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
Net effect of the changes in accounting policies and prior year adjustments		..	..	..
Increase/(decrease) in asset revaluation reserve		..	..	..
Net amount of all revenue and expense adjustments direct to equity not disclosed above	3	..	(428,804)	..
Net income recognised directly in equity		..	(428,804)	..
Surplus/(deficit) for the period		16,441	10,048	..
Total recognised income and expense for the period		16,441	(418,756)	..
Equity injection/(withdrawal)	4	(281,041)	(171,561)	..
Equity adjustments (MoG transfers)		..	..	..
Total movement in equity for period		(264,600)	(590,317)	..

BALANCE SHEET

Queensland Future Growth Corporation	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CURRENT ASSETS				
Cash assets	5	319,396	..	..
Receivables	6	6,335	..	..
Other financial assets		..	..	..
Inventories		..	..	..
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		325,731	..	..
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment		..	..	..
Intangibles		..	..	..
Other		..	..	..
Total non-current assets		..	..	..
TOTAL ASSETS		325,731	..	..
CURRENT LIABILITIES				
Payables		13	..	..
Accrued employee benefits		..	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total current liabilities		13	..	..
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits		..	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		..	..	..
TOTAL LIABILITIES		13	..	..
NET ASSETS/(LIABILITIES)		325,718	..	..
EQUITY				
Capital/contributed equity		..	..	..
Accumulated surplus/(accumulated deficit)	7	325,718	..	..
Reserves:				
- Asset revaluation surplus		..	..	..
- Other (specify)		..	..	..
TOTAL EQUITY		325,718	..	..

CASH FLOW STATEMENT

Queensland Future Growth Corporation	Notes	2012-13 Budget \$'000	2012-13 Est. Act. \$'000	2013-14 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	8	16,456	16,398	..
Outflows:				
Employee costs		..	..	..
Supplies and services		(2)	(2)	..
Grants and subsidies		..	..	..
Borrowing costs		..	..	..
Other	9	(13)	(27)	..
Net cash provided by/(used in) operating activities		16,441	16,369	..
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment and intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		..	..	..
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections		..	..	..
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	10	(297,753)	(617,077)	..
Net cash provided by/(used in) financing activities		(297,753)	(617,077)	..
Net increase/(decrease) in cash held		(281,312)	(600,708)	..
Cash at the beginning of financial year		600,708	600,708	..
Cash transfers from restructure		..	..	..
Cash at the end of financial year		319,396	..	..

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income statement

1. This reflects forecast interest earnings on the Fund Balance. The decrease in the 2012-13 Estimated actual is due to lower than anticipated interest rates. The decrease in the 2013-14 Estimate reflects the anticipated closure of the Fund effective 1 July 2013.
2. This reflects audit fees and costs associated with the preparation of financial statements. The decrease in the 2013-14 Estimate reflects the anticipated closure of the Fund effective 1 July 2013.

Statement of changes in equity

3. The 2012-13 Estimated actual represents the transfer of retained surpluses to contributed equity upon the anticipated closure of the Fund effective 1 July 2013.
4. The 2012-13 Budget reflects the drawdown of funds provided to agencies for expenditure on Fund projects and the return of savings to the Consolidated Fund. The 2012-13 Estimated actual reflects the drawdown of funds provided to agencies for expenditure on Fund projects, the return of savings to the Consolidated Fund, and the return of remaining funds to the Consolidated Fund until required to deliver the remaining Fund projects upon the anticipated closure of the Fund effective 1 July 2013. The above are partially offset by the transfer of retained surpluses to contributed equity.

Balance sheet

5. The decrease in the 2012-13 Estimated actual reflects the anticipated closure of the Fund effective 1 July 2013.
6. This reflects forecast interest receivable on the Fund balance at year end. The decrease in the 2012-13 Estimated actual is due to the anticipated closure of the Fund effective 1 July 2013.
7. The decrease in the 2012-13 Estimated actual relates to the expected return of remaining funds to the Consolidated Fund until required to deliver the remaining Fund projects, following the anticipated closure of the Fund effective 1 July 2013.

Cash flow statement

8. This reflects forecast interest earnings on the Fund balance. The decrease in the 2013-14 Estimate reflects the anticipated closure of the Fund effective 1 July 2013.
9. This reflects audit fees and costs associated with the preparation of financial statements. The increase in the 2012-13 Estimated actual relates to the payments of 2011-12 costs during 2012-13. The decrease in the 2013-14 Estimate reflects the anticipated closure of the Fund effective 1 July 2013.
10. The 2012-13 Budget reflects the drawdown of funds provided to agencies for expenditure on Fund projects and the return of savings to the Consolidated Fund. The 2012-13 Estimated actual reflects the drawdown of funds provided to agencies for expenditure on Fund projects, the return of savings to the Consolidated Fund, and the return of remaining funds to the Consolidated Fund until required to deliver the remaining Fund projects upon the anticipated closure of the Fund effective 1 July 2013.

GLOSSARY OF TERMS

Accrual Accounting — Recognition of economic events and other financial transactions involving revenue, expenses, assets, liabilities and equity as they occur and reporting in financial statements in the period to which they relate, rather than when a flow of cash occurs.

Administered Items — Assets, liabilities, revenues and expenses an entity administers, without discretion, on behalf of the Government.

Agency/Entity — Used generically to refer to the various organisational units within Government that deliver services or otherwise service Government objectives. The term can include departments, commercialised business units, statutory bodies or other organisations established by Executive decision.

Appropriation — Funds issued by the Treasurer, under Parliamentary authority, to agencies during a financial year for:

- delivery of agreed services
- administered items
- adjustment of the Government's equity in agencies, including acquiring of capital.

Balance Sheet — A financial statement that reports the assets, liabilities and equity of an entity as at a particular date.

Capital — A term used to refer to an entity's stock of assets and the capital grants it makes to other agencies. Assets include property, plant and equipment, intangible items and inventories that an entity owns/controls and uses in the delivery of services.

Cash Flow Statement — A financial statement reporting the cash inflows and outflows for an entity's operating, investing and financing activities in a particular period.

Controlled Items — Assets, liabilities, revenues and expenses that are controlled by departments. These relate directly to the departmental operational objectives and arise at the discretion and direction of that department.

Depreciation — The periodic allocation of the cost of physical assets, representing the amount of the asset consumed during a specified time.

Equity — Equity is the residual interest in the assets of the entity after deduction of its liabilities. It usually comprises the entity's accumulated surpluses/losses, capital injections and any reserves.

Equity Injection	— An increase in the investment of the Government in a public sector agency.
Financial Statements	— Collective description of the Income Statement, the Balance Sheet and the Cash Flow Statement for an entity's controlled and administered activities.
Income Statement	— A financial statement highlighting the accounting surplus or deficit of an entity. It provides an indication of whether the entity has sufficient revenue to meet expenses in the current year, including non-cash costs such as depreciation.
Outcomes	— Whole-of-government outcomes are intended to cover all dimensions of community well being. They express the current needs and future aspirations of communities, within a social, economic and environment context.
Own-Source Revenue	— Revenue that is generated by an agency, generally through the sale of goods and services, but it may also include some Commonwealth funding.
Priorities	— Key policy areas that will be the focus of Government activity.
Services	— The actions or activities (including policy development) of an agency which contribute to the achievement of the agency's objectives.

For a more detailed Glossary of Terms, please refer to the Reader's Guide available on the Budget website at www.budget.qld.gov.au.

