

Queensland
State Budget
2007–08

Ministerial Portfolio Statement

Deputy Premier, Treasurer and
Minister for Infrastructure

Queensland **the Smart State**



Queensland
Government

2007-08 State Budget Papers

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The Ministerial Portfolio Statements (MPS) are the primary source of information for the hearings of the Parliamentary Estimates Committees. These hearings examine the funding provided in the State Budget to each Ministerial portfolio and take place following the presentation of the Budget. The MPS are also used by Members of Parliament, the media, the public and other interested parties for obtaining information on key strategies and prospective outcomes, and financial performance, of individual Queensland Government agencies in 2007-08.

The MPS are forward looking in their focus and provide predominantly budgeted financial and non-financial information for the new financial year. In this way, they complement agency annual reports, which document actual performance (including audited financial statements) for the financial year just completed.

Given the timing of the 2007-08 Budget, final information about actual financial and non-financial performance is not yet available for the 2006-07 financial year. Therefore, an estimate of performance ('estimated actual') for 2006-07 is shown throughout the MPS.

The MPS forms part of the 2007-08 State Budget Papers.

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Ministerial Portfolio Statement – Deputy Premier, Treasurer and Minister for Infrastructure

ISSN 1445-4890 (Print)
ISSN 1445-4904 (Online)



MINISTERIAL PORTFOLIO STATEMENT
2007-08 STATE BUDGET

**This Ministerial Portfolio Statement includes the
following Departments and Agencies:**

TREASURY DEPARTMENT

**CORPTECH
SHARED SERVICE AGENCY**

**MOTOR ACCIDENT INSURANCE COMMISSION
NOMINAL DEFENDANT
QUEENSLAND FUTURE GROWTH CORPORATION**

DEPARTMENT OF INFRASTRUCTURE

PROPERTY SERVICES GROUP

QUEENSLAND WATER COMMISSION

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Queensland
Government

MINISTERIAL PORTFOLIO STATEMENT

2007-08 STATE BUDGET

**DEPUTY PREMIER, TREASURER AND
MINISTER FOR INFRASTRUCTURE**

TREASURY DEPARTMENT

Hon. Anna Bligh MP
Deputy Premier, Treasurer and
Minister for Infrastructure

Gerard Bradley
Under Treasurer

DEPARTMENTAL OVERVIEW

STRATEGIC ISSUES

Treasury plays a major role in managing the Queensland Government's finances and strengthening the State's economic and financial position. It provides expert policy analysis and advice as well as the strategic and financial services and frameworks necessary to place the Government – and the State – in a better position to achieve sustainable long-term economic growth and strong fiscal performance.

Treasury works collaboratively with its stakeholders to help the Government meet its fiscal objectives, as outlined in the *Charter of Social and Fiscal Responsibility*, and progress its key objectives. Treasury has a diverse range of stakeholders including all Queensland Government agencies, other levels of government, business and communities across the State.

Treasury's key priorities are:

- developing and monitoring the State Budget and whole-of-Government strategies to achieve the Government's priorities and advance the performance of the Queensland economy to support growth and employment
- managing the Government's shareholding in Government-owned corporations (GOCs) to maximise shareholder returns, build shareholder value and foster appropriate corporate governance in GOCs
- coordinating a broad range of economic, social and statistical information services to enhance the evidence base for policy evaluation and performance
- delivering simple, efficient and equitable revenue management services for State taxes and grant and subsidy schemes
- maintaining the integrity and probity of the gambling industry, responsible gambling policy and research activities and managing the allocation of funds for community benefit.

2007-08 HIGHLIGHTS

Treasury will continue to develop the following initiatives throughout 2007-08:

- developing and monitoring the State Budget to assist Government in achieving its priorities and building awareness of the risks and influences affecting Queensland's fiscal position
- monitoring Government-owned corporations' operational and financial performance and assessing investment proposals
- expanding statistical surveys and evaluation capacity and broadening the dissemination of statistical decision support systems across the Queensland Government

- confirming implementation and development of the Revenue Management System and implementing the Government's revenue initiatives
- implementing outcomes from the review of the gaming machine reallocation scheme and completing the review of the Queensland Responsible Gaming Strategy
- moving towards a framework that will position the State Public Sector Superannuation Fund (QSuper) to become regulated under Commonwealth legislation
- in its capacity as manager of the State's finances, Treasury will receipt more than \$19 billion in revenue and administer grant and subsidy programs totalling more than \$946 million in 2007-08.

DEPARTMENTAL OUTPUTS

Treasury is a diverse and complex portfolio comprising five portfolio offices, allowing for a streamlined approach to dealing with policy and service delivery issues. Treasury's activities are strongly linked to the Government's key priorities and strategic governance principles and indicators.

Financial and Economic Policy

Treasury Office delivers the financial and economic policy output providing policies, strategies and advice at a whole-of-Government level to promote value-for-money service delivery, managing the State's finances in accordance with the *Charter of Social and Fiscal Responsibility* and advancing the performance of the Queensland economy to support growth and employment.

Government-Owned Corporations Performance and Governance

The Office of Government Owned Corporations (OGOC) supports and advises shareholding Ministers in administering the Government's shareholding in GOCs. This includes taking a strategic approach to policy development for GOCs, monitoring performance and ensuring compliance with relevant legislation.

Economic and Statistical Research

The Office of Economic and Statistical Research (OESR) is responsible for the economic and statistical research output, in particular the coordination of key statistical and economic research standards and whole-of-Government activities.

Taxation

The Office of State Revenue (OSR) delivers and administers simple, efficient and equitable revenue management services for State taxes and grant and subsidy schemes. Key clients include taxpayers, grant and subsidy recipients, their agents and professional advisers. OSR is also responsible for administering the Community Ambulance Cover Scheme, Fuel Subsidy Scheme and the First Home Owner Grant.

Gambling

The Queensland Office of Gaming Regulation (QOGR) is responsible for maintaining the integrity and probity of the gambling industry, responsible gambling policy and research activities, as well as managing the allocation of funds for community benefit.

Its role includes implementing a stringent licensing regime, providing policy advice on gambling issues, various compliance activities and implementing responsible gambling practices.

OUTPUT LINKAGES WITH GOVERNMENT OUTCOMES

Output name	Government outcome
Financial and Economic Policy	Delivering responsive government
GOC Performance and Governance	Delivering responsive government
Economic and Statistical Research	Delivering responsive government
Taxation	Delivering responsive government
Gambling	Delivering responsive government

DEPARTMENTAL FINANCIAL SUMMARY

	2006-07 Budget \$'000	2006-07 Est. Actual \$'000	2007-08 Estimate \$'000
CONTROLLED¹			
Income			
Output revenue	103,290	104,930	113,245
Own source revenue	87,499	115,421	38,945
Total income	190,789	220,351	152,190
Total expenses	190,789	220,351	152,190
Operating Surplus/ (Deficit)	..	..	..
NET ASSETS	72,658	74,264	58,725
ADMINISTERED¹			
Revenue			
Administered item revenue	2,344,830	1,544,587	2,504,040
Other administered revenue	15,325,230	16,015,510	17,120,930
Total revenue	17,670,060	17,560,097	19,624,970
Expenses			
Transfers of administered revenue to Government	15,290,610	15,952,091	17,052,355
Administered expenses	2,399,204	1,576,319	2,553,550
Total expenses	17,689,814	17,528,410	19,605,905
Note:	1. Explanations of variances are provided in the 'Explanation of Variances in the Financial Statements' section and 'Output Income Statements'.		

APPROPRIATIONS¹

	2006-07 Budget \$'000	2007-08 Estimate \$'000
Controlled Items		
Departmental outputs ²	103,290	113,245
Equity adjustment ³	3,125	(15,539)
Administered Items⁴	597,193	3,164,823
Vote Total	703,608	3,262,529

Notes:

1. A reconciliation of appropriations to the Financial Statements follows the Financial Statements on page 1-46.
2. The increase in the 2007-08 Estimate is due to funding for development of the Revenue Management System and the compliance model in OSR together with the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue.
3. The decrease in the 2007-08 Estimate reflects an equity withdrawal for the sale of the Government Superannuation Office's (GSO) net assets to QSuper Ltd together with the return of the GSO's cash balance.
4. Administered appropriation is net of equity withdrawals. In 2007-08 \$3.299 billion of funds borrowed on a whole-of-Government basis for the State's capital program is expected to be withdrawn as equity. This compares to equity withdrawals of \$1.772 billion in the 2006-07 Budget.

STAFFING¹

Output/Activity	Notes	2006-07 Est. Actual	2007-08 Estimate
OUTPUTS²			
Financial and Economic Policy		259	257
GOC Performance and Governance		52	46
Economic and Statistical Research		111	117
Taxation	3	452	488
Gambling		246	251
Superannuation	4	413	..
Total outputs		1,533	1,159
ADMINISTERED		..	..
Other services provided to other agencies	5	24	435
Total Treasury		1,557	1,594
SHARED SERVICE INITIATIVE			
CorpTech		493	493
Shared Service Agency		2,165	2,199
Total Shared Service Initiative		2,658	2,692
Notes: 1. Full-Time Equivalents (FTEs) as at 30 June. 2. Corporate FTEs are allocated across the outputs to which they relate. 3. The 2006-07 Estimated Actual includes 22 employees, and the 2007-08 Estimate includes 24 employees whose wages will be capitalised as part of the Revenue Management System (RMS). The increase in the 2007-08 Estimate is due to additional staff for the further development of RMS and implementation of the compliance model. 4. As from 1 July 2007 the administration of the superannuation output is to be undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme. 5. The increase in the 2007-08 Estimate reflects the services provided to administer the superannuation output which will be undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.			

2007-08 OUTPUT SUMMARY¹

Output	Total Cost \$'000	Sources of Revenue			
		Output Revenue \$'000	User Charges \$'000	C'wealth Revenue \$'000	Other Revenue \$'000
Financial and Economic Policy	34,055	31,689	2,366	..	..
GOC Performance and Governance	5,667	4,921	746	..	..
Economic and Statistical Research	14,574	9,323	5,251	..	..
Taxation	57,500	54,925	2,575	..	..
Gambling	35,028	4,164	30,864	..	..
Departmental	146,824	105,022	41,802	..	..
Other²	12,884	8,223	4,661	..	..
Reconciliation adjustment to the Income Statement³	(7,518)	..	(7,518)	..	..
Total⁴	152,190	113,245	38,945	..	..

Notes:

1. Explanations of variances are provided in the Financial Statements and Output Income Statements.
2. Total revenue sources do not equal total operating revenue in the Departmental Financial Summary table as the department provides corporate services to non-departmental outputs (Motor Accident Insurance Commission, Nominal Defendant, CorpTech, QSuper Limited and the Shared Service Agency). While the associated expenses and revenues are reflected in the Financial Statements, they are not included in the individual Output Income Statements. Consequently the sum of the individual Output Income Statements does not add to the departmental Income Statement. The 2007-08 Corporate Support Allocation is provided on page 1-48.
3. This line represents the eliminations upon consolidation for internal trading between outputs.
4. This line reconciles to the departmental Income Statement where total cost is represented by total expenses and other revenue represents grants and other contributions, other revenue, and gain on sale/revaluation of property, plant and equipment and investments.

OUTPUT PERFORMANCE

OUTPUT: Financial and Economic Policy

RELATED OUTCOME: Delivering responsive government

DESCRIPTION

Treasury Office delivers the financial and economic policy output providing policies, strategies and advice at a whole-of-Government level to promote value-for-money service delivery, managing the State's finances in accordance with the *Charter of Social and Fiscal Responsibility* and advancing the performance of the Queensland economy to support growth and employment.

Treasury Office's main activities include:

- developing and monitoring the State Budget and whole-of-Government strategies to achieve the Government's priorities and meet the fiscal principles within the *Charter of Social and Fiscal Responsibility*
- managing the Government's financial assets and liabilities and financial risks and exposures
- managing inter-governmental financial relations to further Queensland's financial and economic interests
- developing State taxation policy including assessing taxation initiatives and taxation expenditure
- developing regulatory policy, overseeing regulatory regimes, managing the competition and reform agenda and providing advice on microeconomic policy issues
- developing and facilitating the implementation of financial management improvements across Government
- acting as the Government's commercial adviser in relation to infrastructure provision and the Government's Public Private Partnerships (PPP) Policy and Value for Money Framework, and managing the Government's risk on major infrastructure projects
- providing insurance and insurance advice to Government through the Queensland Government Insurance Fund (QGIF) and overseeing the insurance scheme operating for not-for-profit community groups.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- developed the State Budget 2007-08
- monitored and reviewed the State Budget 2006-07
- maintained the State's net worth and AAA credit rating

- completed the seventh report of outcomes – the *Priorities in Progress Report 2005-06*, under the *Charter of Social and Fiscal Responsibility*
- established the Queensland Future Growth Fund through the investment of proceeds from the sale of ENERGET's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect. The Fund will help meet the challenges of climate change and ensure the continued economic development of the State
- provided ongoing commercial and financial advice on a number of major infrastructure projects being progressed under the PPP Policy and Value for Money Framework
- continued to implement outcomes of the Review of State Taxes under the *InterGovernmental Agreement on the Reform of Commonwealth-State Financial Relations*
- assisted in the establishment of the new Water Commission and the development of options for ensuring the water security of South East Queensland
- continued to enhance the QGIF database to achieve more accurate premium setting and to provide insured agencies with data to improve their risk management practices
- continued to monitor the progress of the *South East Queensland Infrastructure Plan and Program* (SEQIPP), industry capacity issues and general economic conditions affecting infrastructure delivery.

Future developments

During 2007-08 this output will focus on the following key priorities:

- managing and coordinating the State Budget process within agreed timeframes
- continuing to maintain the fiscal principles in the *Charter of Social and Fiscal Responsibility* and build awareness of the risks and influences affecting Queensland's fiscal position
- maintaining the State's net worth and AAA credit rating
- maintaining a sustainable and competitive State tax regime
- administering the Queensland Future Growth Fund
- continuing to review and identify opportunities to improve the Financial Management Framework
- continuing to provide commercial and financial advice to the Government on major asset management and infrastructure projects and work with responsible agencies on projects progressed under the PPP Policy and Value for Money Framework
- monitoring national developments in insurance issues
- continuing to monitor progress of the SEQIPP, industry capacity issues and general economic conditions affecting infrastructure delivery
- continuing to work with the Queensland Water Commission to develop and implement new institutional arrangements for urban water supply in South East Queensland.

OUTPUT STATEMENT

Output: Financial and Economic Policy				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Quarterly reports on financial position within six weeks of quarter end		4	4	4
Number of written pieces of portfolio resource allocation advice provided	1	1,450	1,350	1,450
Number of written pieces of economic and intergovernmental relations advice provided	1	610	500	600
Number of written pieces of fiscal, taxation policy and financial management advice provided	1	725	650	700
Number of written pieces of infrastructure policy advice provided	2	195	220	240
Quality				
Adherence to fiscal objectives as described in the <i>Charter of Social and Fiscal Responsibility</i>		100%	100%	100%
Compliance with the Uniform Presentation Framework requirements and relevant Australian Accounting Standards for whole-of-government financial reporting		100%	100%	100%
Timeliness				
Achievement of key milestones in the budget process		100%	100%	100%
Achievement of key milestones in the Report on State Finance process		100%	100%	100%
Data provision to the Commonwealth Grants Commission and Australian Bureau of Statistics within agreed timeframes		100%	100%	100%
Cost (\$)				
Cost of portfolio resource allocation advice	3	\$6.313 million	\$5.790 million	\$6.323 million
Cost of economic and intergovernmental relations advice	4	\$2.366 million	\$1.922 million	\$1.758 million
Cost of fiscal, taxation policy and financial management advice		\$5.275 million	\$5.330 million	\$5.067 million
Cost of infrastructure policy advice	5	\$2.154 million	\$7.602 million	\$3.410 million

Output: Financial and Economic Policy

Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
State contribution (\$000)	6	31,210	32,647	31,689
Other revenue (\$000)	6	2,383	29,532	2,366
Total cost (\$000)	6	33,593	62,179	34,055

Notes:

1. The decrease in the 2006-07 Estimated Actual is due to caretaker conventions coming into effect when an election was called during the first quarter, which affected the number of written pieces of advice provided.
2. The increase in the 2006-07 Estimated Actual and the 2007-08 Target/Estimate is due to the creation of a Structural Policy branch to focus on water industry issues.
3. The decrease in the 2006-07 Estimated Actual is due to a number of unanticipated staff vacancies. The subsequent increase in the 2007-08 Target/Estimate is due to the full-year effect of filling these vacancies.
4. The decrease in the 2006-07 Estimated Actual and the subsequent decrease in the 2007-08 Target/Estimate is due to structural changes.
5. The increase in the 2006-07 Estimated Actual and the subsequent decrease in the 2007-08 Target/Estimate reflects the one-off reimbursable costs incurred in relation to the transaction between the State and Tattersall's Ltd involving Golden Casket's lottery business.
6. Refer to the Output Income Statement – Financial and Economic Policy on page 1-12.

Output Income Statement – Financial and Economic Policy

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue		31,210	32,647	31,689
User charges	1	2,020	29,069	2,366
Grants and other contributions		..	..	..
Other revenue	2	363	463	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		33,593	62,179	34,055
Expenses				
Employee expenses	3	22,845	22,266	23,051
Supplies and services	4	8,947	37,891	9,073
Grants and subsidies		..	..	..
Depreciation and amortisation		712	609	609
Finance/borrowing costs		..	..	..
Other expenses		1,089	1,413	1,322
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		33,593	62,179	34,055
OPERATING SURPLUS/ (DEFICIT)		..	..	..

Notes:

1. The increase in the 2006-07 Estimated Actual and subsequent decrease in the 2007-08 Estimate is primarily due to the reimbursement of one-off costs incurred in the sale of ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect realising proceeds of over \$3 billion.
2. The increase in the 2006-07 Estimated Actual and the subsequent decrease in the 2007-08 Estimate is due to one-off Cyclone Larry Insurance taskforce receipts from Department of Emergency Services. Also contributing to the decrease in the 2007-08 Estimate is the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue.
3. The decrease in the 2006-07 Estimated Actual is due to a number of staff vacancies occurring in 2006-07. The subsequent increase in the 2007-08 Estimate is due to the full-year effect of filling these vacancies.
4. The increase in the 2006-07 Estimated Actual and subsequent decrease in the 2007-08 Estimate is primarily due to the one-off reimbursable costs incurred in the sale of ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect realising proceeds of over \$3 billion - see note 1.

OUTPUT PERFORMANCE

OUTPUT: **GOC Performance and Governance**

RELATED OUTCOME: **Delivering responsive government**

DESCRIPTION

The primary focus of the Office of Government Owned Corporations (OGOC) is to support and advise shareholding Ministers in administering the Government's shareholding in Government-owned corporations (GOCs). This includes taking a strategic approach to policy development for GOCs, monitoring performance and ensuring compliance with relevant legislation.

OGOC aims to maximise shareholder returns, build shareholder value and ensure appropriate corporate governance in GOCs while being mindful they operate in open and competitive markets subject to the principle of competitive neutrality.

Activities undertaken by OGOC, particularly in the transport and electricity sectors, help to deliver competitive and cost-effective infrastructure and services to support social and economic development.

OGOC's main activities include:

- overseeing corporate governance arrangements in GOCs
- negotiating outcomes of the annual performance contract, or Statement of Corporate Intent (SCI), as well as the annual five-year Corporate Plan
- monitoring the commercial performance of GOCs and conducting reviews of their strategic direction and outlook for commercial performance
- assessing major investment proposals
- collecting dividends and tax-equivalent payments from the GOC sector on behalf of the Government
- coordinating the State Budget process as it relates to GOCs.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- monitored GOC operational and financial performance and reviewed OGOC's performance monitoring processes
- worked with GOCs to develop SCIs in accordance with the Government's shareholding interests and legislative frameworks

- assessed GOC investment proposals
- enhanced the GOC governance and accountability framework, with a particular focus on the governance arrangements for GOC chief and senior executives and through amendments to the *Government Owned Corporations Act 1993*
- implemented the outcome of the Government's Energy Review
- continued monitoring the impact of industrial relations issues on GOCs including the transition to the Australian Government's *WorkChoices* regime.

Future developments

During 2007-08 this output will focus on the following key priorities:

- working in conjunction with GOCs to implement improved administrative and governance arrangements resulting from amendments to the *Government Owned Corporations Act 1993*
- actively monitoring GOC operational and financial performance and assessing investment proposals, to encourage GOCs in achieving market-like returns on investments, while at the same time ensuring they provide high quality infrastructure and related services
- working with GOCs to develop SCIs in accordance with the Government's shareholding and legislative timeframes
- streamlining administrative processes relating to governance arrangements for GOC chief and senior executives
- continuing to monitor the impacts of industrial relations issues on GOCs.

OUTPUT STATEMENT

Output: GOC Performance and Governance				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Number of GOC Statements of Corporate Intent completed	1	18	18	18
Number of performance monitoring reports completed	2	72	72	66
Quality				
Percentage of Ministerial correspondence prepared to agreed Treasury standards		95%	95%	95%
Timeliness				
Percentage of SCIs received and reviewed within the scheduled timeframe		95%	95%	95%
Cost (\$)				
Cost of monitoring and governance per GOC		\$0.17 million	\$0.18 million	\$0.18 million
State contribution (\$000)	3	4,787	4,838	4,921
Other revenue (\$000)	3	1,032	594	746
Total cost (\$000)	3	5,819	5,432	5,667
Notes:				
1. Despite the changes within the GOC sector, the number of Statements of Corporate Intent to be prepared during 2007-08 will remain the same.				
2. The Government has recently announced an agreement where it will transfer the State's shareholding in Golden Casket to Tattersall's and then enter a long-term agreement for Golden Casket to operate lotteries in Queensland under the State's Lottery Licence and Golden Casket will cease to be a GOC (expected to occur in 2006-07). Enertrade will be wound up by 30 September 2007 with all of its assets and contracts reassigned to other energy GOCs with the exception of the Oakey Power Station Power Purchasing Agreement which has been advertised for reassignment by tender.				
3. Refer to the Output Income Statement – GOC Performance and Governance on page 1-16.				

Output Income Statement – GOC Performance and Governance

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue		4,787	4,838	4,921
User charges	1	983	565	746
Grants and other contributions		..	..	..
Other revenue	2	49	29	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		5,819	5,432	5,667
Expenses				
Employee expenses		3,995	4,055	4,056
Supplies and services	3	1,473	1,130	1,419
Grants and subsidies		..	..	..
Depreciation and amortisation		116	97	88
Finance/borrowing costs		..	..	..
Other expenses		235	150	104
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		5,819	5,432	5,667
OPERATING SURPLUS/ (DEFICIT)		..	..	..
Notes:				
1. The decrease in the 2006-07 Estimated Actual and the subsequent increase in the 2007-08 Estimate reflects the reimbursement of consultancy expenditure undertaken on behalf of the GOCs - see note 3.				
2. The decrease in the 2006-07 Estimated Actual and 2007-08 Estimate is due to the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue.				
3. The decrease in the 2006-07 Estimated Actual and the subsequent increase in the 2007-08 Estimate reflects the level of consultancy expenditure undertaken on behalf of the GOCs for which reimbursement is received - see note 1.				

OUTPUT PERFORMANCE

OUTPUT: Economic and Statistical Research

RELATED OUTCOME: Delivering responsive government

DESCRIPTION

The Office of Economic and Statistical Research (OESR) is responsible for the economic and statistical research output, in particular the coordination of key statistical and economic research standards and whole-of-Government activities.

These activities incorporate the collation, coordination, interpretation, analysis and dissemination of high quality primary and secondary economic and social statistics. They also include the provision of economic, demographic and social modelling and research services, as well as specific statistical, survey and data management services to support improved planning, decision making, policy development and resource allocation.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- maintained and enhanced rigorous economic and social research agendas relating to the economic and social advancement of the State. This involved creating new and preserving existing partnerships with Government, industry and universities
- maintained and enhanced a suite of economic and social models, methodologies and standards, and promoted their availability, transparency and use across Government and the general community in support of the Queensland Government's strategic policies
- increased the provision of high quality statistical products and services, contributing to the transparency, accountability and operational efficiency of the Government
- improved statistical coordination and policy across Government by leading significant statistical initiatives that contributed to whole-of-Government and national improvements in statistical quality
- enhanced statistical survey capabilities, including the implementation of large-scale surveys and improvements in statistical services and methodologies for the collection of data and evaluation of programs
- completed the State-wide awareness campaign for the August 2006 National Census of Population and Housing to maximise Queensland's population count and to improve the quality of the Census data.

Future developments

During 2007-08 this output will focus on the following key priorities:

- expanding its statistical surveys and evaluation capacity
- commencing an economic research project on the drivers of productivity in Queensland
- broadening the dissemination of statistical decision support systems across the Queensland Government
- extending statistical networks across the Queensland Government in collaboration with the Australian Bureau of Statistics
- collaborating with the Australian Bureau of Statistics in delivering the Queensland node of the National Data Network.

OUTPUT STATEMENT

Output: Economic and Statistical Research				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Survey, data processing or data construction projects		70	70	70
Data dissemination outputs including official publications, client reports or databases		150	150	150
Formal written briefings or reports provided to key clients on economic statistical and spatial issues		100	100	100
Number of Internet hits on OESR web site		0.9 million	0.9 million	0.9 million
Number of hits on Data Hub home page		25,000	25,000	25,000
Collaborative projects undertaken with or sponsored by other teams in Government or external researchers		25	25	25
Development and coordination of whole-of-Government policy issues or relations with organisations in other jurisdictions (number of projects)		45	45	45
Factual answers to requests for information		3,000	3,000	3,000
Quality				
Successful external quality audits		100%	100%	100%
Stakeholder and client satisfaction with outputs (rated satisfied or very satisfied)		90%	90%	90%
Timeliness				
Delivery of outputs within timeframes agreed with clients (excludes Internet Services)		90%	90%	90%
Location				
Briefings and reports delivered to clients outside Treasury Office		50%	50%	50%
Cost (\$)				
Revenue from fee-for-service outputs	1	\$3.9 million	\$4.7 million	\$4.6 million
State contribution (\$000)	2	9,192	9,054	9,323
Other revenue (\$000)	2	4,369	5,100	5,251
Total cost (\$000)	2	13,561	14,154	14,574
Notes:				
1. The increase in the 2006-07 Estimated Actual and 2007-08 Target/Estimate is due to an increase in survey work and funding received for the Government Information Licensing Framework project.				
2. Refer to the Output Income Statement – Economic and Statistical Research on page 1-20.				

Output Income Statement – Economic and Statistical Research

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue		9,192	9,054	9,323
User charges	1	4,319	5,051	5,251
Grants and other contributions		..	..	..
Other revenue		50	49	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		13,561	14,154	14,574
Expenses				
Employee expenses	2	8,400	8,511	9,131
Supplies and services	3	4,042	4,630	4,764
Grants and subsidies	4	31	31	43
Depreciation and amortisation		433	372	380
Finance/borrowing costs		..	..	..
Other expenses	5	655	610	256
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		13,561	14,154	14,574
OPERATING SURPLUS/ (DEFICIT)		..	..	..

Notes:

1. The increase in the 2006-07 Estimated Actual and 2007-08 Target/Estimate is due to an increase in survey work and funding received for the Government Information Licensing Framework project.
2. The increase in the 2007-08 Estimate is due to a 4% enterprise bargaining increase and additional staff required for the dissection of 2006 Census data.
3. The increase in the 2006-07 Estimated Actual and 2007-08 Estimate is primarily due to costs associated with increased demand for survey work.
4. The increase in the 2007-08 Estimate is due to the proposed increase to the Department's contribution to the Queensland Spatial Information Council.
5. The decrease in the 2007-08 Estimate is primarily due to the marketing and advertising expenses of the 2006 Census of Population and Housing incurred in 2006-07.

OUTPUT PERFORMANCE

OUTPUT: **Taxation**

RELATED OUTCOME: **Delivering responsive government**

DESCRIPTION

The Office of State Revenue (OSR) delivers and administers simple, efficient and equitable revenue management services for State taxes and grant and subsidy schemes. Key clients include taxpayers, grant and subsidy recipients, their agents and professional advisers.

OSR's main activities include:

- providing revenue collection services for Queensland's main taxes (duty, payroll tax and land tax)
- collecting gambling taxes, levies and fees
- administering the Community Ambulance Cover Scheme through electricity retailers
- administering the Fuel Subsidy Scheme and the First Home Owner Grant (FHOG)
- delivering revenue policy advice, and Ministerial and legislative services to maintain and improve revenue systems and their administration
- providing revenue management and administration including assessment, collection, claim and payment processing, investigation and debt recovery.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- management of taxes and delivery of grants and subsidy payments
- improved revenue management by providing responsive and ongoing legislation and revenue policy advice to Government
- effected the increase in the tax-free threshold for payroll tax from 1 July 2006
- effected the increase in the tax-free threshold for land tax for resident individuals
- implemented the introduction of a new first home owner transfer duty concession for the purchase of vacant land from 1 January 2007
- effected the increase of transfer duty rates for transfers of property with values above \$500,000 together with an increase in the threshold for the home concession

- implemented changes to strengthen the duty provisions relating to acquisitions of majority interests in land rich corporations and certain land holding trusts
- effected the abolition of hire duty and transfer duty on unlisted marketable securities from 1 January 2007, as announced in the State Budget 2005-06
- continued the development and implementation of the Revenue Management System
- progressed the implementation of the compliance model which is a whole-of-office approach to compliance that is achieved by understanding the reasons why a client may not be meeting their obligations under the legislation administered by OSR and tailoring assistance and enforcement measures to encourage voluntary compliance
- continued improving and expanding self-assessment through e-business initiatives, with supporting voluntary compliance and investigations strategies
- processed approximately \$8.3 billion in revenue and grant transactions
- managed revenue by continually reviewing resources, systems and procedures against best practice measures.

Future developments

During 2007-08 this output will focus on the following key priorities:

- effecting the reduction of mortgage duty by 50% from 1 January 2008, as announced in the State Budget 2005-06
- managing taxes and delivery of grants and subsidy payments
- managing and improving revenue management by providing responsive and ongoing legislation and revenue policy advice to Government
- continuing to develop and implement the Revenue Management System
- progressing the implementation of the compliance model
- continuing to improve and expand self-assessment through e-business initiatives, with supporting voluntary compliance and investigation strategies
- processing approximately \$9.2 billion in revenue and grant transactions
- managing revenue within agreed service standards by continually reviewing resources, systems and procedures against best practice measures.

OUTPUT STATEMENT

Output: Taxation				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Amount of revenue and grants administered	1	\$7.8 billion	\$8.3 billion	\$9.2 billion
Number of amendment provisions including subordinate legislation developed		5	5	5
Number of FHOG applications	2	25,300	31,500	34,700
Number of fuel subsidy payments	3	24,200	22,500	22,500
Quality				
Client satisfaction with service provided		70%	70%	70%
Legislative amendment program and revenue policy advices within service standards		90%	90%	90%
Timeliness				
FHOG applications processed within service standards		95%	95%	95%
Percentage of investigations performed within service standards		90%	90%	90%
Legislation program and deliverables within deadlines		90%	90%	90%
Payment and investigation of fuel subsidy claims within service standards		90%	90%	90%
Policy advice, briefings and Ministerial correspondence within deadlines	4	90%	70%	90%
Revenue collected within service standards		95%	95%	95%
Cost (\$)				
Total revenue dollars administered per dollar expended – accrual	5	\$199	\$213	\$228
State contribution (\$000)	6	46,287	45,975	54,925
Other revenue (\$000)	6	1,985	2,061	2,575
Total cost (\$000)	6	48,272	48,036	57,500
Notes:				
1. The increase in the 2006-07 Estimated Actual and 2007-08 Target/Estimate reflects continuing strong economic conditions in both the property and employment market.				
2. Increased numbers of FHOG applications reflects the continuing strong Queensland economy and housing activity.				
3. Consolidation of fuel retailers is resulting in fewer claims processed in 2006-07 and 2007-08.				
4. A major organisational restructure which involved changes in responsibility and accountabilities impacted on this measure during 2006-07.				
5. The increase in the 2006-07 Estimated Actual and the 2007-08 Target/Estimate is a result of the growth in the amount of revenue and grants administered.				
6. Refer to the Output Income Statement – Taxation on page 1-24.				

Output Income Statement – Taxation

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue	1	46,287	45,975	54,925
User charges	2	1,457	1,498	2,575
Grants and other contributions		..	..	..
Other revenue	3	528	563	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		48,272	48,036	57,500
Expenses				
Employee expenses	4	26,381	26,016	30,858
Supplies and services	4	16,141	16,737	20,000
Grants and subsidies		..	1	..
Depreciation and amortisation	5	4,590	3,950	5,329
Finance/borrowing costs		..	..	..
Other expenses		1,160	1,332	1,313
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		48,272	48,036	57,500
OPERATING SURPLUS/ (DEFICIT)		..	..	..

Notes:

1. The decrease in the 2006-07 Estimated Actual and subsequent increase in the 2007-08 Estimate is due to the deferral of depreciation funding for the Revenue Management System (RMS) to 2007-08. The increase in the 2007-08 Estimate is also due to additional funding approved for the RMS.
2. The increase in the 2007-08 Estimate relates to corporate support user charges allocated to the Taxation output. As user charges have increased so has the allocation to this output (see page 1-48).
3. The decrease in the 2007-08 Estimate is due to the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue.
4. The increase in the 2007-08 Estimate reflects the increase in expenditure on the development of the RMS and the compliance model.
5. The decrease in the 2006-07 Estimated Actual and subsequent increase in the 2007-08 Estimate is due to the timing of the capitalisation of development work on the RMS.

OUTPUT PERFORMANCE

OUTPUT: **Gambling**

RELATED OUTCOME: **Delivering responsive government**

DESCRIPTION

The Queensland Office of Gaming Regulation (QOGR) is responsible for maintaining the integrity and probity of the gambling industry, responsible gambling policy and research activities, as well as managing the allocation of funds for community benefit.

QOGR's main activities include:

- enforcing a stringent regime for licensing organisations and persons to operate in the gambling industry in Queensland
- evaluating and approving internal controls, gambling equipment and gambling rules
- inspecting and auditing gambling sites and products, investigating complaints and undertaking prosecutions
- undertaking probity investigations of individuals and corporate entities
- providing policy advice including responsible gambling initiatives and administering legislation
- managing the allocation of funds for community benefit.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- reviewed the scheme for the reallocation of gaming machine operating authorities in hotels
- implemented further initiatives to the risk-based audit programs for machine gaming in clubs and hotels
- completed the remaining approvals for the Conrad Jupiter's \$53.5 million construction and refurbishment project
- commenced the review of the *Queensland Responsible Gambling Strategy*
- commenced implementation of outcomes from the gambling help service system review
- commenced the third phase of evaluating the *Responsible Gambling Code of Practice*

- prepared amendments to the *Casino Control Act 1982* to strengthen the Government's stance against minors entering and gambling in casinos
- prepared amendments to the *Gaming Machine Act 1991* to replace the current approval process for persons who test gaming equipment with a more stringent licensing regime
- prepared amendments to the *Charitable and Non-Profit Gaming Act 1999* to improve corporate governance requirements in relation to the operation of art unions
- continued to develop a framework for the implementation of an electronic gaming machine card-based system in the field which includes responsible gambling initiatives
- provided gambling policy advice based on rigorous social and economic research
- distributed an estimated \$34 million in grants from the Gambling Community Benefit Fund and \$5.3 million in grants from the Casino Community Benefit Funds
- approved an estimated \$1.2 million in grants from the Golden Casket Foundation
- increased cooperation between Australian and international jurisdictions to assist with integrated responses to issues.

Future developments

During 2007-08 this output will focus on the following key priorities:

- implementing outcomes from the review of the scheme for reallocating gaming machine operating authorities in hotels
- conducting a further trial of an electronic gaming machine card-based system which includes responsible gambling initiatives for the possible future introduction of card-based gaming in Queensland
- investigating the adequacy of the current regulatory framework with respect to server based gaming technology for gaming machines
- completing the review of the *Queensland Responsible Gambling Strategy*
- completing the third phase of evaluation of the *Responsible Gambling Code of Practice*
- continuing to implement outcomes from the gambling help service system review
- providing gambling policy advice based on rigorous social and economic research
- distributing an estimated \$35.5 million in grants from the Gambling Community Benefit Fund and \$5.4 million from the Casino Community Benefit Funds
- continuing to increase cooperation between Australian and international jurisdictions to assist with integrated responses to issues.

OUTPUT STATEMENT

Output: Gambling				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Audit, probity and inspection activities completed in accordance with annual program		95%	95%	95%
Quality				
Percentage of gambling providers committing to the implementation of the Code of Practice	1	75%	80%	80%
Suitability of all gambling participants and systems proven to be satisfactory		95%	95%	95%
Timeliness				
Licence applications processed within set time		90%	90%	90%
Gambling Community Benefit Fund applications processed within set times		95%	95%	95%
State contribution (\$000)	2	3,879	3,973	4,164
Other revenue (\$000)	2	34,408	31,220	30,864
Total cost (\$000)	2	38,287	35,193	35,028
Notes:				
1. The increase in the 2006-07 Estimated Actual and 2007-08 Target/Estimate reflects increased commitment by stakeholders using the Code of Practice, proactively promoting Responsible Gambling and commitment to other harm minimisation initiatives.				
2. Refer to the Output Income Statement – Gambling on page 1-28.				

Output Income Statement – Gambling

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue		3,879	3,973	4,164
User charges	1	34,144	31,056	30,864
Grants and other contributions		..	..	..
Other revenue	2	264	164	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		38,287	35,193	35,028
Expenses				
Employee expenses	3	18,988	18,493	20,211
Supplies and services	4	11,241	9,182	7,373
Grants and subsidies	5	5,650	5,262	4,919
Depreciation and amortisation		1,021	820	829
Finance/borrowing costs		..	..	..
Other expenses		1,387	1,436	1,696
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		38,287	35,193	35,028
OPERATING SURPLUS/ (DEFICIT)		..	..	..

Notes:

1. The decrease in the 2006-07 Estimated Actual and 2007-08 Estimate reflects timing of funding required for Responsible Gambling Research. Partially offsetting the decrease in the 2007-08 Estimate is an increase in gaming machine evaluation fees.
2. The decrease in the 2006-07 Estimated Actual and 2007-08 Estimate is due to the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue.
3. The increase in the 2007-08 Estimate reflects the 4% enterprise bargaining increase and additional staffing positions required to perform increased evaluation and approval testing of gaming equipment.
4. The decrease in the 2006-07 Estimated Actual and 2007-08 Estimate is primarily the result of reduced consultants, contractors and printing costs associated with Responsible Gambling Research.
5. The decrease in the 2006-07 Estimated Actual and 2007-08 Estimate reflects timing of grant expenditure for Responsible Gambling Research.

OUTPUT PERFORMANCE

OUTPUT: Superannuation

RELATED OUTCOME: Delivering responsive government

DESCRIPTION

The Government Superannuation Office (GSO) administers the State Public Sector Superannuation Fund (QSuper) and the pension entitlements of judges.

This includes providing policy advice to the Government and Trustees on products, services and the administration of legislation in relation to the management of superannuation for current and former Queensland public sector employees and their spouses, as well as administering the State Government's long-service leave central scheme for Queensland public sector agencies.

The GSO's main activities include:

- providing expert policy advice to stakeholders
- providing products and services to meet the needs of members and stakeholders
- administering legislation related to the management of superannuation for funds administered by the GSO.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- amended QSuper's governing legislation to implement a framework for QSuper to become regulated by the Commonwealth. This will provide an enduring way for members who leave public sector employment to continue having their contributions made to QSuper by their employer
- developed and launched a major seminar program to improve the financial literacy skills of members. This was done in conjunction with the Department of Education, Training and the Arts
- continued to deliver high quality superannuation and general financial knowledge by adding comprehensive financial education tools to the redeveloped QSuper website. QSuper's website was awarded at a recent conference of major superannuation funds
- received a platinum award from SuperRatings, a leading independent research and superannuation ratings firm, placing it within the top 15% of 240 funds assessed on a value-for-money basis

- awarded Pension Fund of the Year runner up by SuperRatings for QSuper's allocated pension product.

Future developments

Given the significant accumulation monies which QSuper invests on behalf of members, it is moving towards a framework that will position the Fund to become regulated under Commonwealth legislation.

The framework has been established through the *Superannuation (State Public Sector) Amendment Act No. 7 of 2007*. To support regulation, changes will also be made to QSuper's administrator, the GSO, and from 1 July 2007, administration of the superannuation output will be undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme.

Whilst the superannuation function will not be reported in Treasury's 2008-09 Ministerial Portfolio Statement, a full set of financial statements for the administrator will be published in the QSuper annual report.

OUTPUT STATEMENT

Output: Superannuation¹				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.¹
Quantity				
Percentage of members who elect to retain their voluntary money with QSuper		80%	80%	..
Quality				
Delivery of the QSuper Strategic Plan		80%	80%	..
Percentage of external audits resulting in no qualifications		100%	100%	..
Timeliness				
Meeting performance benchmarks in the QSuper Trustees Administration Mandate and other agreements in place for the administration of funds other than QSuper		95%	95%	..
Cost (\$)				
Administration costs per member are within the lowest quartile when benchmarked to peers		100%	100%	..
State contribution (\$000)	2	6,119	6,594	..
Other revenue (\$000)	2	47,090	49,871	..
Total cost (\$000)	2	53,209	56,465	..
Notes:				
1. QSuper is moving towards a framework that will position the Fund to become regulated under Commonwealth legislation. The framework has been established through the <i>Superannuation (State Public Sector) Amendment Act No. 7 of 2007</i> . To support regulation, changes will also be made to QSuper's administrator, the GSO, and from 1 July 2007 administration of the superannuation output will be undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme.				
2. Refer to Output Income Statement – Superannuation on page 1-32.				

Output Income Statement – Superannuation

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000 ⁶
Income				
Output revenue		6,119	6,594	..
User charges	1	46,210	49,082	..
Grants and other contributions		..	..	..
Other revenue		880	789	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		53,209	56,465	..
Expenses				
Employee expenses	2	27,728	28,565	..
Supplies and services	3	18,171	19,827	..
Grants and subsidies		..	1	..
Depreciation and amortisation	4	3,833	3,441	..
Finance/borrowing costs		..	..	..
Other expenses	5	3,477	4,631	..
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		53,209	56,465	..
OPERATING SURPLUS/ (DEFICIT)		..	..	..

Notes:

1. User charges are determined on the basis of cost recovery. The 2006-07 Estimated Actual reflects an increase in expected operating expenditure. Refer to notes 2 to 5 below.
2. The increase in the 2006-07 Estimated Actual reflects resources, additional to budget, to implement strategic initiatives driven by increasing membership, increasing transaction volume and complexity, and legislative changes.
3. The increase in the 2006-07 Estimated Actual reflects the use of resources, additional to budget, to implement strategic initiatives approved by the QSuper Board of Trustees and initiatives driven by changes to Commonwealth legislation.
4. The decrease in the 2006-07 Estimated Actual is primarily due to a reduction in expenses associated with planned capital initiatives.
5. The increase in the 2006-07 Estimated Actual reflects higher expenditure than anticipated to carry out initiatives approved by the QSuper Board of Trustees.
6. From 1 July 2007, administration of QSuper will be undertaken by a wholly owned subsidiary of the Board as trustees of the State Public Sector Superannuation Scheme. The change also includes the transfer of assets, liabilities and contracts controlled by the Government Superannuation Office to the QSuper subsidiary.

ADMINISTERED ITEMS

DESCRIPTION

Treasury is responsible for overseeing significant administered revenues and expenses. Treasury receives a large proportion of the State's taxation and Australian Government revenue used to fund outputs.

In addition, Treasury administers significant grants and subsidies programs such as the First Home Owners Grant and Fuel Subsidy Schemes.

In its capacity as the Government's financial manager, Treasury also manages the Government's cash balances and financing requirements.

REVIEW OF OUTPUT PERFORMANCE

Recent Achievements and Emerging Issues

Land tax relief package

This Budget recognises the recent significant increase in land valuations and seeks to further mitigate the impact of increased land values by capping the increase in averaged land values at 50% each year for three years, for the purposes of calculating land tax liabilities. This cap will commence from 1 July 2007.

This Budget delivers further land tax relief by also increasing the tax free threshold for resident individuals from the current \$500,000 to \$600,000. This means resident individuals will not be subject to land tax until the unimproved value of their landholdings, excluding their principal place of residence, amounts to \$600,000. Land tax relief is also provided for companies, trustees and absentees by increasing the tax free threshold from the current \$300,000 to \$350,000. The changes to the land tax thresholds will take effect for the 2007-08 financial year.

Payroll tax harmonisation package

All States and Territories have been working together to increase consistency in their application of payroll tax, to minimise cross-border business costs, through an inter-jurisdictional consistency project (ICP).

The Queensland Government recognises the importance to business of increased harmonisation across jurisdictions and intends to implement the measures recommended by the ICP from 1 July 2008.

In addition to the changes supported by the ICP, the Queensland Government will take action to further increase consistency across jurisdictions by aligning a number of areas of Queensland's payroll tax legislation with other jurisdictions, including the harmonised legislation announced by the Victorian and New South Wales governments in January 2007.

Vehicle registration duty increase

Vehicle registration duty is payable on the initial registration or transfer of registration of a motor vehicle. The current rate of duty is 2% of the market value of the vehicle. From 1 January 2008, the rate will change, with the new rate dependent on the number of cylinders (or rotors) the vehicle has. There will be no increase in duty payable on the registration of hybrid or electric vehicles, or conditionally registered vehicles.

Abolition of State taxes

The *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA), agreed to by the Australian Government and all state and territory governments in 1999, required the abolition and review of a number of state taxes.

In accordance with the requirements of the IGA, transfer duty on quoted marketable securities and debits tax were abolished in 2001 and 2005 respectively. In 2005, Queensland participated in a multijurisdictional review into the need to retain a number of state duties, as required by the IGA.

The Government has completed a number of duty abolitions announced in the 2005-06 Budget, with the removal of credit business and lease duties from 1 January 2006 and hire duty and marketable securities duty (unquoted) from 1 January 2007.

Two further taxes are scheduled to be abolished, with mortgage duty and duty on the transfer of core business assets to be abolished by 2011. The rate of mortgage duty will be halved from 0.4% to 0.2% from 1 January 2008 with full abolition on 1 January 2009.

CAPITAL ACQUISITIONS

Treasury's key infrastructure requirements are primarily intellectual capital and technology solutions. The majority of capital acquisitions for 2007-08 relates to projects which support initiatives such as the development of e-commerce capabilities in the Taxation output and the replacement of operational assets.

The most significant capital activities include:

- further implementation and development of the Revenue Management System (RMS) within the Office of State Revenue. The system employs contemporary technology to provide revenue and information management and e-business capability to better service the Government and people of Queensland in collecting and administering State tax revenue streams
- incorporation of new office functionality and business requirements into the online Corporate Office of Gaming Systems (COGS) to assist in improving information and communication systems and practices in the Queensland Office of Gaming Regulation
- continuing implementation of an Electronic Documents and Records Management System (eDRMS) within Treasury which is expected to result in improved management of electronic and printed information.

CAPITAL ACQUISITION STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Property, plant and equipment				
- Asset replacement	1	2,283	6,992	2,618
- OSR Revenue Management System	2	..	24	1,071
- Documents and Records Management Improvement Project (eDRMS)	3	174	..	92
TOTAL PROPERTY, PLANT AND EQUIPMENT		2,457	7,016	3,781
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other capital acquisitions				
- Asset replacement	4	712	909	60
- OSR Revenue Management System	5	9,001	8,540	12,692
- QOGR Corporate Office of Gaming System (enhancement)	6	700	..	700
- eDRMS		552	588	537
Other items		121	..	..
TOTAL OTHER CAPITAL ACQUISITIONS		11,086	10,037	13,989
TOTAL CAPITAL ACQUISITIONS		13,543	17,053	17,770
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity adjustment	7	3,125	4,388	(15,539)
Funding for depreciation and amortisation		11,280	10,168	8,761
Borrowings		..	..	..
Proceeds of asset sales	8	..	4	4,361
Other	9	(862)	2,493	20,187
TOTAL FUNDING SOURCES		13,543	17,053	17,770
Notes:				
<ol style="list-style-type: none"> The increase in the 2006-07 Estimated Actual reflects QSuper IT infrastructure initiatives which were originally budgeted for in 2005-06 but delayed to 2006-07. QSuper is moving towards a framework that will position the Fund to become regulated under Commonwealth legislation. The framework has been established through the <i>Superannuation (State Public Sector) Amendment Act No. 7 of 2007</i>. To support regulation, changes will also be made to QSuper's administrator, the GSO, and from 1 July 2007 administration of the superannuation output will be undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme. The increase in the 2007-08 Estimate reflects the timing of hardware acquisitions relating to the RMS program. The RMS hardware was upgraded in 2005-06 in preparation for the Release 2 development and only minimal additional items were required in 2006-07. In 2007-08 additional memory and hardware will be required prior to the implementation of RMS Release 2. Implementation has been delayed for 12 months due to delays in receiving quality software. This results in a deferral of expenditure for servers in regional offices. QSuper is moving towards a framework that will position the Fund to become regulated under Commonwealth legislation. The framework has been established through the <i>Superannuation (State Public Sector) Amendment Act No. 7 of 2007</i>. To support regulation, changes will also be made to QSuper's administrator, the GSO, and from 1 July 2007 administration of the superannuation output will be undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme. The increase in the 2007-08 Estimate reflects the program of work planned on the development of RMS. The decrease in the 2006-07 Estimated Actual and increase in the 2007-08 Estimate is due to the rescheduling of the COGS redevelopment program of works. Movements in the Equity adjustment reflect funding requirements of RMS and the withdrawal of the GSO's net assets due to the changes to superannuation regulation mentioned above. The 2007-08 Estimate reflects the sale of the GSO's plant and equipment to QSuper Ltd in line with changes to QSuper's regulatory status. This item represents fluctuations in cash reserves needed to fund capital expenditure. The 2007-08 Estimate reflects the decrease in the department's cash reserves as a result of the return of the GSO's net equity to government. 				

**DEPARTMENTAL
FINANCIAL
STATEMENTS**

INCOME STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue	1	103,290	104,930	113,245
User charges	2	85,249	113,275	38,945
Grants and other contributions		..	..	..
Other revenue	3	2,250	2,146	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		190,789	220,351	152,190
Expenses				
Employee expenses	4	109,426	109,217	92,312
Supplies and services	5	57,856	86,737	41,624
Grants and subsidies		4,013	4,636	4,460
Depreciation and amortisation	6	11,280	10,168	8,761
Finance/borrowing costs		..	..	..
Other expenses	7	8,214	9,593	5,033
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		190,789	220,351	152,190
OPERATING SURPLUS / (DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Net effect of the adoption of a new accounting standard		..	..	..
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)	8	3,125	4,388	(15,539)
Equity adjustments (MoG transfers)	9	437	586	..
Total movement in equity for period		3,562	4,974	(15,539)

BALANCE SHEET

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	10	26,556	29,721	12,416
Receivables	11	9,571	9,189	5,289
Inventories		9	2	2
Other		2,115	2,114	1,980
Non-financial assets held for sale		..	..	..
Total current assets		38,251	41,026	19,687
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment	12	21,462	21,504	16,857
Intangibles	13	31,539	29,753	36,063
Other		..	..	..
Total non-current assets		53,001	51,257	52,920
TOTAL ASSETS		91,252	92,283	72,607
CURRENT LIABILITIES				
Payables	14	7,571	7,044	4,343
Transfers to Government payable		..	..	..
Employee benefits obligations	14	9,669	9,605	8,469
Interest-bearing liabilities		..	..	..
Provisions		..	..	..
Other		19	25	25
Total current liabilities		17,259	16,674	12,837
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities		..	..	..
Employee benefits obligations	14	1,260	1,275	975
Provisions		..	..	..
Other		75	70	70
Total non-current liabilities		1,335	1,345	1,045
TOTAL LIABILITIES		18,594	18,019	13,882
NET ASSETS/ (LIABILITIES)		72,658	74,264	58,725
EQUITY				
Capital/contributed equity	15	41,229	42,650	27,111
Retained surplus/(accumulated deficit)		31,429	31,614	31,614
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		72,658	74,264	58,725

CASH FLOW STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Output receipts	16	103,290	105,213	113,245
User charges	17	84,959	113,915	42,845
Grants and other contributions		..	..	..
Other	18	2,250	2,142	..
Outflows:				
Employee costs	19	(109,063)	(111,154)	(93,748)
Supplies and services	20	(57,996)	(87,160)	(44,191)
Grants and subsidies		(4,013)	(4,636)	(4,460)
Borrowing costs		..	..	..
Other	21	(8,213)	(9,227)	(5,032)
Net cash provided by/ (used in) operating activities		11,214	9,093	8,659
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment	22	..	4	7,345
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment	23	(2,457)	(7,016)	(3,781)
Payments for intangibles	24	(11,086)	(10,037)	(13,989)
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/ (used in) investing activities		(13,543)	(17,049)	(10,425)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	25	8,245	8,245	7,504
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	26	(5,120)	(3,857)	(23,043)
Net cash provided by/ (used in) financing activities		3,125	4,388	(15,539)
Net Increase/ (decrease) in cash held		796	(3,568)	(17,305)
Cash at the beginning of financial year		25,709	33,324	29,721
Cash transfers from restructure	27	51	(35)	..
Cash at the end of financial year		26,556	29,721	12,416

INCOME STATEMENT

EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Revenues				
Commonwealth grants	28	8,074,968	8,251,499	8,483,566
Taxes, fees and fines	29	7,098,593	7,644,595	8,543,144
Royalties, property income and other territorial revenue		83,000	79,950	83,490
Interest	30	62,698	29,822	4,112
Administered item revenue	31	2,344,830	1,544,587	2,504,040
Other		5,971	9,644	6,618
Total revenues		17,670,060	17,560,097	19,624,970
Expenses				
Supplies and services		148,838	167,641	162,446
Grants and subsidies	32	885,439	942,489	946,870
Borrowing costs	33	98,063	100,437	239,230
Treasurer's Advance	34	100,000	..	50,000
Other	35	1,166,864	365,752	1,155,004
Total expenses		2,399,204	1,576,319	2,553,550
Net surplus or deficit before transfers to Government		15,270,856	15,983,778	17,071,420
Transfers of Administered Revenue to Government	36	15,290,610	15,952,091	17,052,355
OPERATING SURPLUS/ (DEFICIT)	37	(19,754)	31,687	19,065

BALANCE SHEET

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	38	(368,326)	(33,147)	(16,065)
Receivables		112,508	92,979	93,630
Other		246,799	271,247	272,248
Other financial assets	39	150,000	..	..
Total current assets		140,981	331,079	349,813
NON-CURRENT ASSETS				
Receivables		65,294	68,331	60,709
Other financial assets	39	150,000	..	..
Total non-current assets		215,294	68,331	60,709
TOTAL ADMINISTERED ASSETS		356,275	399,410	410,522
CURRENT LIABILITIES				
Payables		18,223	19,520	19,520
Transfers to Government payable		33,388	33,479	32,625
Interest-bearing liabilities		3,331	3,046	3,408
Other		67,461	52,203	51,873
Total current liabilities		122,403	108,248	107,426
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	40	1,786,969	1,010,887	4,307,856
Other		91,000	93,701	88,701
Total non-current liabilities		1,877,969	1,104,588	4,396,557
TOTAL ADMINISTERED LIABILITIES		2,000,372	1,212,836	4,503,983
ADMINISTERED NET ASSETS/ (LIABILITIES)		(1,644,097)	(813,426)	(4,093,461)
EQUITY				
Capital/Contributed equity	41	(1,696,030)	(920,316)	(4,219,416)
Retained surplus/(Accumulated deficit)		51,933	106,890	125,955
TOTAL ADMINISTERED EQUITY		(1,644,097)	(813,426)	(4,093,461)

CASH FLOW STATEMENT

CASH FLOWS ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Administered item receipts	42	2,344,830	1,495,180	2,504,040
Grants and other contributions	43	8,037,969	8,254,800	8,486,867
Taxes, fees and fines	44	7,098,593	7,644,595	8,543,144
Royalties, property income and other territorial revenues		83,000	80,861	83,490
Interest received	45	72,981	40,105	4,966
Other		(3,988)	(1,525)	(3,640)
Outflows:				
Transfers to Government		(15,300,893)	(16,682,374)	(17,053,209)
Grants and subsidies	46	(885,439)	(942,489)	(946,870)
Supplies and services		(149,839)	(208,642)	(163,447)
Borrowing costs	47	(98,063)	(100,437)	(239,230)
Treasurer's Advance	48	(100,000)	..	(50,000)
Other	49	(1,165,236)	(364,125)	(1,153,377)
Net cash provided by/ (used in) operating activities		(66,085)	(784,051)	12,734
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Investments redeemed	50	150,000	450,000	..
Loans and advances redeemed		7,123	7,123	7,123
Outflows:				
Loans and advances made		267	267	317
Net cash provided by/ (used in) investing activities		157,390	457,390	7,440
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings	51	1,772,132	996,403	3,299,432
Equity injections	52	24,363	1,800,626	1,326,301
Outflows:				
Borrowing redemptions		(3,424)	(3,424)	(3,424)
Equity withdrawals	52	(1,796,113)	(2,796,647)	(4,625,401)
Net cash provided by/ (used in) financing activities		(3,042)	(3,042)	(3,092)
Net increase/ (decrease) in cash held		88,263	(329,703)	17,082
Administered cash at beginning of financial year		(456,589)	296,556	(33,147)
Administered cash at end of financial year		(368,326)	(33,147)	(16,065)

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2006-07 Estimated Actual is mainly due to the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue. The increase in the 2007-08 Estimate is due to funding for development of the Revenue Management System (RMS) and the compliance model in OSR together with the full year impact of the abolition of the Cash Management Incentives Regime.
2. The increase in the 2006-07 Estimated Actual is primarily due to the reimbursement of costs incurred in the sale of ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect. The decrease in the 2007-08 Estimate is primarily due to administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
3. The decrease in the 2007-08 Estimate is due to the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with output revenue together with the administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
4. The decrease in the 2007-08 Estimate is primarily due to administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007. This is partially offset by an increase in expenditure for the development of the RMS and the compliance model and the impact of the Enterprise Bargaining Agreement.
5. The increase in the 2006-07 Estimated Actual is primarily due to the one-off reimbursable cost incurred in the sale of ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect. The decrease in the 2007-08 Estimate is due to the administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007, partially offset by increased expenditure on the development of the RMS.
6. The decrease in the 2006-07 Estimated Actual is mainly due to delays in capitalisation of the development work on the RMS postponing the associated amortisation expense. The decrease in the 2007-08 Estimate is primarily due to administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
7. The increase in the 2006-07 Estimated Actual is primarily due to higher expenditure within the GSO to carry out initiatives approved by the QSuper Board. The decrease in the 2007-08 Estimate reflects the administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.

Statement of Changes in Equity

8. The movements in the Equity injection/ (withdrawal) reflects funding requirements of RMS offset by an equity withdrawal of the GSO's net assets as a result of the changes to superannuation regulation mentioned above.
9. The Equity adjustments (MoG Transfers) in 2006-07 represent the transfer of policy functions from the Shared Service Implementation Office (SSIO) to the Shared Service Agency (SSA) on 1 July 2006.

Balance Sheet

10. Refer to the Cash Flow Statement. The increase in the 2006-07 Estimated Actual is due to a higher than expected opening cash balance resulting from delays in expenditure on IT infrastructure in 2005-06. The decrease in the 2007-08 Estimate is due to cash reserves being used for the development of the RMS and the administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
11. The decrease in the 2007-08 Estimate reflects administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
12. The decrease in the 2007-08 Estimate is primarily due to administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
13. The increase in the 2007-08 Estimate reflects increased development work in 2007-08 on the RMS.
14. The decrease in the 2007-08 Estimate reflects administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
15. The decrease in the 2007-08 Estimate reflects administration of the superannuation output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007 and equity adjustments relating to the RMS program of works.

Cash Flow Statement

16. Refer to Note 1 above.
17. Refer to Note 2 above.
18. Refer to Note 3 above.
19. Refer to Note 4 above.
20. Refer to Note 5 above.
21. Refer to Note 7 above.
22. The 2007-08 Estimate reflects the sale of the GSO's plant and equipment to QSuper Ltd on 1 July 2007.
23. Refer to the Capital Acquisition Statement on p 1-36.

24. Refer to the Capital Acquisition Statement on p 1-36.
25. Equity injections reflect the level of expenditure on development of the RMS funded by the State.
26. The increase in the 2007-08 Estimate reflects the withdrawal of the GSO's net assets due to the administration of the output being undertaken by a wholly owned subsidiary of the QSuper Board as trustees of the State Public Sector Superannuation Scheme from 1 July 2007.
27. This item represents the cash transferred to the SSA as a result of SSI policy function transferring to the SSA on 1 July 2006.

Income Statement

Expenses and Revenues Administered on Behalf of the Whole of Government

28. The moderate increase in GST revenues in the 2006-07 Estimated Actual and 2007-08 Estimate reflects the strength of Queensland's tax base partially offsetting the growth in total GST collections. In addition, \$96 million will be received for drought relief in 2006-07.
29. The increase in the 2006-07 Estimated Actual is due to solid growth in the property and employment markets, which has been evidenced through higher collections of transfer duty and payroll tax revenues throughout the year. It is anticipated that these revenue sources will continue to grow in 2007-08.
30. The decrease in the 2006-07 Estimated Actual reflects lower Treasurer's cash investment balances and short-term deposits than forecast at the time of the 2006-07 Budget as the cash balances were utilised in 2006-07 to support the State's capital program. The 2007-08 Estimate is lower for the same reasons as apply to 2006-07.
31. Administered appropriation is received from the Consolidated Fund to fund administered expenses (excluding the Casino Funds which are self funded). Administered expenses have declined from the 2006-07 Budget, with explanations of material revisions outlined in notes 32 to 35.
32. The increase in the 2006-07 Estimated Actual represents increased grants to CorpTech and the Queensland Rural Adjustment Authority during the year. The increase in the 2007-08 Estimate reflects increased funding for the First Home Owners Grant and fuel subsidy payments.
33. The increase in the 2007-08 Estimate represents interest on additional funds expected to be borrowed during the year to support the expansion of the State's capital program.
34. The Treasurer's Advance reflects provision for items which may emerge during the year.
35. The decrease in the 2006-07 Estimated Actual reflects a reduction in the State's share of superannuation beneficiary payments in 2006-07, in line with the funding recommendations outlined in the most recent actuarial investigation. Higher State contributions are forecast for 2007-08.
36. This represents revenues collected on behalf of the Queensland Government which are transferred to the Consolidated Fund. Administered revenues have increased overall from the 2006-07 Budget, with explanations of material revisions outlined in notes 28 and 29.
37. The improvement in the operating position for 2006-07 Estimated Actual relates mainly to the activities of the Queensland Office of Gaming Regulation and the use of the Community Investment Fund as a source for grant payments.

Balance Sheet

Assets and Liabilities Administered on Behalf of the Whole of Government

38. Treasury in its capacity as the manager of the State's finances operates a bank overdraft facility offset by departmental cash holdings.
39. The decrease in the 2006-07 Estimated Actual reflects the cashing out of funds invested in term deposits with Queensland Treasury Corporation and their use in funding the State's capital program.
40. In its capacity as manager of the State's finances Treasury is expected to borrow \$996 million in 2006-07 in support of the Government's capital works program. Lower borrowing requirements in 2006-07 compared to that forecast at the time of the 2006-07 Budget reflect the strong cash surplus generated during the previous year and the smaller borrowing requirement that results. A further \$3.299 billion is expected to be borrowed in 2007-08 to support the State's capital program.
41. Contributed equity represents an equity withdrawal to the Consolidated Fund for the State's capital works program. Refer to Note 40 above.

Cash Flow Statement

Cash Flows Administered on Behalf of the Whole of Government

42. Refer to note 31 above.
43. Refer to note 28 above.
44. Refer to note 29 above.
45. Refer to note 30 above.
46. Refer to note 32 above.
47. Refer to note 33 above.
48. Refer to note 34 above.
49. Refer to note 35 above.
50. Refer to note 39 above.
51. Refer to note 40 above.
52. Equity injections for 2006-07 have been revised upward as a result of the receipt of proceeds of the sale of ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect which flow through to the Queensland Future Growth Corporation as equity withdrawals. Also included in the 2006-07 Estimated Actual and 2007-08 Estimate are equity withdrawals pertaining to borrowings for the Government's capital works program. Refer to Note 41 above.

RECONCILIATION OF 2007-08 APPROPRIATION AMOUNTS TO THE FINANCIAL STATEMENTS

CONTROLLED

Income Statement

	\$'000
Output Revenue in Income Statement ¹	113,245
<i>Add:</i> Appropriation Funding for Outputs Receivable	<u>..</u>
= Appropriation for Departmental Outputs	113,245
= Output Receipts in Cash Flow Statement ²	113,245

Balance Sheet

	\$'000
Closing balance Contributed Equity ³	27,111
<i>Less:</i> Opening Balance Contributed Equity ³	<u>42,650</u>
= Change in Contributed Equity in the Balance Sheet	(15,539)
 <i>Add:</i> Appropriation Equity Injection Receivable	 ..
<i>Less:</i> Non-appropriated Equity Adjustments	<u>..</u>
= Appropriation for Equity Adjustment ⁴	(15,539)
= Net Appropriated Equity Adjustment in Cash Flow Statement	(15,539)

1. This Output Revenue amount reconciles to the Output Revenue line in the Income Statement on page 1- 38.
2. This Output Revenue amount reconciles to the Output Receipts line in the Cash Flow Statement on page 1-40.
3. The Contributed Equity amounts reconcile to the Contributed Equity line in the Balance Sheet on page 1-39.
4. The Appropriation for Equity Adjustment amount reconciles to the Equity Adjustment line in the Appropriations table on page 1-5.

ADMINISTERED

Statement of Expenses and Revenues Administered on Behalf of the Whole of Government

	<u>\$'000</u>
Administered Item Revenue in Income Statement ⁵	2,504,040
<i>Add:</i> Other (Administered) Appropriation Receivable	<u>..</u>
= Appropriation for Administered Expenses ⁶	2,504,040

Statement of Assets and Liabilities Administered on Behalf of the Whole of Government

	<u>\$'000</u>
Closing balance Contributed Equity ⁷	(4,219,416)
<i>Less:</i> Opening Balance Contributed Equity ⁷	<u>(920,316)</u>
= Change in Contributed Equity in the Statement of Assets and Liabilities administered on behalf of the State Government	<u>(3,299,100)</u>
<i>Less:</i> Non-appropriated Equity Adjustment ⁸	<u>(3,959,883)</u>
= Appropriation for Administered Equity Adjustment ⁶	660,783

5. The Administered Item Revenue amount reconciles to the Administered Item Revenue line in the Statement of Expenses and Revenues Administered on Behalf of the Whole of Government on page 1-41.
6. Total Appropriation for Administered items (\$3,164.823 million) = Appropriation for Administered expenses (\$2,504.040 million) + Appropriation for Administered Equity Adjustment (\$660.783 million).
7. The Contributed Equity amounts reconcile to the Contributed Equity line in the Statement of Assets and Liabilities Administered on Behalf of the Whole of Government on page 1-42.
8. Non-appropriated equity adjustments relate to equity transferred to Queensland Future Growth Corporation and to CorpTech for the SSS project and to the Consolidated Fund to fund the State's capital program.

Note: Appropriation for Administered Expenses + Appropriation for Administered Equity Adjustment = total Administered Items (which reconciles to the Administered Items line in the Appropriations table on page 1-5).

Corporate Services¹ Allocation 2007-08 Estimate (\$'000)

	Notes	Total Corporate Services	Financial and Economic Policy	GOC Performance	Economic and Statistical Research	Taxation	Gambling	Other
Income								
Output revenue		27,803	4,354	772	1,835	8,455	4,164	8,223
User charges		10,787	1,360	245	620	2,575	1,326	4,661
Grants and other contributions		..	..	..	..	..	..	..
Other revenue		..	..	..	..	..	..	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..	..	..	..	..
Total income		38,590	5,714	1,017	2,455	11,030	5,490	12,884
Expenses								
Employee expenses		16,152	2,465	436	1,012	4,804	2,355	5,080
Supplies and services	2	16,076	2,437	439	1,097	4,631	2,371	5,101
Grants and subsidies		..	..	..	..	..	..	..
Depreciation and amortisation		3,506	440	79	196	838	427	1,526
Finance/borrowing costs		..	..	..	..	..	..	..
Other expenses		2,856	372	63	150	757	337	1,177
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..	..	..	..	..
Total expenses		38,590	5,714	1,017	2,455	11,030	5,490	12,884
Full Time Equivalents		204	30	5	14	58	29	68

Notes:

- Corporate services includes: finance and administration, human resources, procurement services, knowledge services, information technology, business intelligence and internal audit services.
- Includes payments to Corporate Solutions Queensland (CSQ) and CorpTech for the provision of finance, human resources, procurement and information technology services.

SHARED SERVICE INITIATIVE

SHARED SERVICE PROVIDER: CorpTech

RELATED OUTCOME: Delivering responsive government

OVERVIEW

The Shared Service Initiative (the Initiative) is a whole-of-Government approach to corporate services delivery. The vision is to provide high quality, cost-effective corporate services across the Queensland Government. Shared services are underpinned by standardising business processes, consolidating technology and pooling resources and expertise.

Under the shared service model, Government agencies have joined together in clusters to share corporate services through shared service providers (SSPs) and a single technology centre of skill for corporate applications. CorpTech was established as the technology centre of skill on 1 July 2003.

CorpTech provides high quality, cost effective information and communication technology (ICT) solutions, support and other services to SSPs and agencies as detailed in operating level agreements (OLAs). CorpTech manages a number of significant systems solutions including finance, human resources, facilities management, document and records management and supporting functions such as the Service Desk.

From 1 July 2007, elements of Shared Service Solutions (SSS) in CorpTech and the Policy and Program Office of the Shared Service Agency will be established as a separate business area within Treasury Department focused on corporate service reform. The formation of the group has been informed by the piloting in 2006-07 of new standardised business solutions for finance and human resource management. The final determination of functional responsibility will be made following completion in June 2007 of an Implementation Schedule Replanning Project. In taking a holistic approach to the leadership and coordination of shared service implementation, the group will ensure the continued sustainability of shared services within the Queensland Government.

Key achievements in 2006-07

Significant recent achievements include:

- continued maintaining existing ICT systems and optimising ICT supporting infrastructures until their retirement, while implementing and supporting the new systems solutions. A key solution delivered was The Solution Series hardware refresh on behalf of the Department of Education, Training and the Arts resulting in marked improvements to both system performance, stability and longevity
- implemented the Finance solution in six agencies and two SSPs between July 2006 and March 2007
- piloted the implementation of the first Human Resource solution in the Department of Housing in March 2007

- created the CorpTech Solutions Centre responsible for providing quality, cost-effective support to agencies and SSPs using the new solutions
- negotiated with SSPs, and documented in OLAs, the level of services and the quality of ICT support provided. Business improvements were pursued to enhance service delivery and operational efficiency and effectiveness
- delivered a whole-of-Government integrated suite of the Standard Product Offering for Electronic Documents and Records Management System (eDRMS), Web Content Management System (WCMS) and Digitisation to the sector
- underwent changes to program approach and structure following early implementation of pilot solutions to streamline program and process management efficiencies.

Strategic direction

During 2007-08, CorpTech will focus on the following key priorities:

- refining the program approach and structure in optimising resourcing and scheduling options to meet the remaining implementation schedule
- reviewing the current program schedule to optimise whole-of-Government benefits in delivering the solutions to all agencies
- continuing to build both Finance and Human Resource business solutions within agencies and SSPs
- building ongoing capacity to support the new systems
- continuing to develop and enhance the integrated eDRMS, WCMS and Digitisation Standard Product Offering in line with whole-of-Government business requirements and provide appropriate levels of support to agencies
- reviewing the CorpTech organisational model to provide streamlined products and services to effectively deliver new solutions and support existing systems.

PERFORMANCE STATEMENT

CorpTech				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Financial performance measures				
Dollar SSP operating surplus/(deficit)		..	..	..
Percentage labour costs as percentage of total expenses		29%	26%	23%
Non-financial performance measures				
Number of full-time equivalents in SSP		493	493	493
Percentage of OLAs signed		100%	100%	100%
Customer Satisfaction Index	1	≥ 60	49	≥ 60
Client Satisfaction Index	1	≥ 60	38	≥ 50
Notes: 1. This decline can mainly be attributed to the impact of the change agenda resulting from the implementation of the Shared Service Initiative. Performance ratings at the service level are more encouraging and continue to have 70% to 80% of respondents rating the services being provided by CorpTech as fair to very good.				

CAPITAL ACQUISITIONS

OVERVIEW

CorpTech is the technology centre of skill established under the Shared Services Initiative (SSI) to deliver innovative corporate applications and infrastructure solutions across government.

To achieve these solutions CorpTech will take the lead role in standardising and optimising whole-of-Government corporate services systems helping to provide a cost effective and client-focused service and realising economies of scale through consolidation of the infrastructure which supports the corporate services applications.

CAPITAL PROGRAM

CorpTech has responsibility for the detailed design, construction, pilot, implementation and ongoing delivery of the SSI systems solutions program. The CorpTech Shared Service Solutions (SSS) Program is an overview of the technology projects required to achieve the SSI's business targets for ICT systems.

The SSS Program has been developed in accordance with the principles outlined in the ICT Optimisation Strategy Submission, approved by the CEO Governance Committee in April 2003. The key targets of the Optimisation Strategy Submission in regard to the SSI environment are:

- an optimal number of corporate service application installations supporting standardised business processes
- minimisation of agency specific customisation within corporate service applications
- an optimisation of the number of instances of each application
- continued support for the use of enterprise wide systems by agencies where it is cost effective for the agency and for the Government.

The SSS Program is a program of work to build the systems technology required to achieve the business targets of the SSI Business Plan for systems. The SSS Program includes the asset acquisition costs and the human resource effort required to build and deliver the systems.

The SSS Program is a major strategic priority for the organisation and is included in the CorpTech Strategic Plan.

PROGRAM FUNDING

These projects will be funded from a combination of:

- equity injections
- cash received for accumulated depreciation
- revenue quarantined from agencies for depreciation expenses.

CAPITAL ACQUISITION STATEMENT

CorpTech	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Property, plant and equipment		650	904	650
Other acquisitions of property, plant and equipment		..	..	..
TOTAL PROPERTY, PLANT AND EQUIPMENT		650	904	650
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other capital acquisitions				
- Shared Service Solutions (SSS) Program	1	38,463	72,034	57,276
Other items		..	..	..
TOTAL OTHER CAPITAL ACQUISITIONS		38,463	72,034	57,276
TOTAL CAPITAL ACQUISITIONS		39,113	72,938	57,926
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity adjustment	2	24,113	52,774	36,042
Funding for depreciation and amortisation		23,601	25,253	31,580
Borrowings		..	..	..
Proceeds of asset sales		..	..	..
Other	3	(8,601)	(5,089)	(9,696)
TOTAL FUNDING SOURCES		39,113	72,938	57,926
Notes:				
1. The increase in the 2006-07 Estimated Actual reflects additional funding received to support cost increases identified specifically in relation to system complexity, implementation effort, and the higher utilisation rate of contract resources. The decrease in the 2007-08 Estimate reflects a slow down of the system development activity with movement towards implementation of Programs rather than development.				
2. Movements in the Equity adjustment reflect funding requirements of the SSS Program of works.				
3. This item represents fluctuations in cash reserves needed to fund capital expenditure.				

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges	1	79,765	80,916	84,842
Grants and other contributions	2	19,079	55,165	25,095
Other revenue	3	894	2,820	1,000
Gains on sale/revaluation of property, plant and equipment and investments				
Total income		99,738	138,901	110,937
Expenses				
Employee expenses	4	28,825	36,539	25,505
Supplies and services	4	41,568	66,785	43,552
Grants and subsidies		..	..	..
Depreciation and amortisation	5	23,601	25,253	31,580
Finance/borrowing costs		40	11	..
Other expenses	6	5,704	10,313	10,300
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		99,738	138,901	110,937
OPERATING SURPLUS / (DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 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)		24,113	52,774	36,042
Equity adjustments (MoG transfers)	
Total movement in equity for period		24,113	52,774	36,042

BALANCE SHEET

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	7	27,408	37,138	46,202
Receivables	8	3,968	15,667	15,667
Other financial assets		..	..	..
Inventories		..	..	..
Other		1,634	476	476
Non-financial assets held for sale		..	..	..
Total current assets		33,010	53,281	62,345
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment		2,164	3,660	2,710
Intangibles	9	104,429	131,757	159,053
Other		..	..	..
Total non-current assets		106,593	135,417	161,763
TOTAL ASSETS		139,603	188,698	224,108
CURRENT LIABILITIES				
Payables	10	7,658	19,094	18,407
Employee benefits obligations		3,177	4,989	5,044
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		704	4,587	4,587
Total current liabilities		11,539	28,670	28,038
NON-CURRENT LIABILITIES				
Payables		..	..	..
Employee benefits obligations		659	716	716
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		659	716	716
TOTAL LIABILITIES		12,198	29,386	28,754
NET ASSETS (LIABILITIES)		127,405	159,312	195,354
EQUITY				
Capital/contributed equity	11	125,506	157,393	193,435
Retained surplus/ (accumulated deficit)		1,899	1,919	1,919
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		127,405	159,312	195,354

CASH FLOW STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges	12	78,782	79,933	84,842
Grants and other contributions	13	19,079	55,165	25,095
Other	14	894	2,820	1,000
Outflows:				
Employee costs	15	(28,771)	(36,485)	(25,450)
Supplies and services	16	(41,568)	(66,783)	(44,239)
Grants and subsidies		..	..	..
Borrowing costs		(40)	(11)	..
Other	17	(5,702)	(10,313)	(10,300)
Net cash provided by/ (used in) operating activities		22,674	24,326	30,948
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		104	354	..
Outflows:				
Payments for property, plant and equipment		(650)	(904)	(650)
Payments for intangibles	18	(38,463)	(72,034)	(57,276)
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/ (used in) investing activities		(39,009)	(72,584)	(57,926)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	19	39,113	67,774	51,042
Outflows:				
Borrowing redemptions		(104)	(355)	..
Finance lease payments		..	..	..
Equity withdrawals		(15,000)	(15,000)	(15,000)
Net cash provided by/ (used in) financing activities		24,009	52,419	36,042
Net Increase/ (decrease) in cash held		7,674	4,161	9,064
Cash at the beginning of financial year		19,734	32,977	37,138
Cash transfers from restructure		..	..	..
Cash at the end of financial year		27,408	37,138	46,202

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2007-08 Estimate relates to increased funding received for connectivity services.
2. The increase in the 2006-07 Estimated Actual includes additional grant funding received for the Shared Service Solutions (SSS) Program of work. This funding reflects increased planned expenditure (refer Notes 4, 5 and 6).
3. The increase in the 2006-07 Estimated Actual reflects unexpectedly high levels of expense recovery predominantly for licence fees.
4. The increase in the 2006-07 Estimated Actual includes expenditure incurred in relation to product licences, system complexity, implementation effort and the increased requirement for the use of contractor resources.
5. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate includes additional amortisation expense relating to the commencement of use of both the newly developed Human Resource and Finance system solutions in 2006-07.
6. The increase in the 2006-07 Estimated Actual relates to additional software licence acquisitions associated with the Shared Service Solutions (SSS) Program of works. The increase in the 2007-08 Estimate relates to the performance return payment.

Balance Sheet

7. The increase in the 2006-07 Estimated Actual and 2007-08 Estimate is due to cash received in relation to amortisation expense that will be required for future systems and hardware replacement.
8. The increase in the 2006-07 Estimated Actual reflects expected debtors due to invoices issued in June 2007 for services to be delivered in July 2007.
9. The increase in the 2006-07 Estimated Actual and 2007-08 Estimate reflects the planned expenditure on the Shared Service Solutions (SSS) Program of works.
10. The increase in the 2006-07 Estimated Actual reflects expected creditors due to known commitments for SSS contractors and infrastructure services received in June 2007, with payment to be made in July 2007.
11. Movements in Capital are attributable to equity injection funding the SSS Program of works.

Statement of Cash Flows

12. Refer to Note 1 above.
13. Refer to Note 2 above.
14. Refer to Note 3 above.
15. Refer to Note 4 above.
16. Refer to Note 4 above.
17. Refer to Note 6 above.
18. The increase in the 2006-07 Estimated Actual and subsequent decrease in the 2007-08 Estimate reflects the planned pattern of expenditure associated with the SSS Program of works.
19. The movements in the Equity injections reflect funding requirements of the SSS Program of works. Refer to Note 18 above.

SHARED SERVICE INITIATIVE

SHARED SERVICE PROVIDER: Shared Service Agency

RELATED OUTCOME: Delivering responsive government

OVERVIEW

The Shared Service Initiative (the Initiative) is a whole-of-Government approach to corporate service delivery, underpinned by standardising business processes, consolidating technology and pooling resources and expertise.

Under the shared service model, Government agencies joined together in clusters to share corporate services and resources through shared service providers (SSPs). From 1 July 2006 three SSPs - CorporateLink, PartnerOne and Corporate Solutions Queensland - consolidated to form the Shared Service Agency (SSA), hosted by Treasury Department. Approximately 2,200 staff from the three multi-agency SSPs and the former Shared Service Implementation Office transitioned into the SSA.

SSPs for Queensland Health and Education, Training and the Arts (Corporate and Professional Services and the Corporate Administration Agency) and Parliamentary Service continue to operate under their existing host departments.

The Shared Service Initiative Policy and Program Office is a separate arm of the SSA that provides the policy and strategic direction for the Initiative. From 1 July 2007, this function and elements of Shared Service Solutions (SSS) in CorpTech will be established as a separate business area within Treasury Department focused on corporate service reform. The formation of the group has been informed by the piloting in 2006-07 of new standardised business solutions for finance and human resource management. The final determination of functional responsibility will be made following completion in June 2007 of an Implementation Schedule Replanning Project. In taking a holistic approach to the leadership and coordination of shared service implementation, the group will ensure the continued sustainability of shared services within the Queensland Government.

The service delivery arm of the SSA provides corporate services to agencies through the existing SSPs - PartnerOne, Corporate Solutions Queensland and CorporateLink - and the Regional Services Division.

Key factors impacting on the SSA include:

- understanding the service requirements of clients and customers delivering front-line services
- implementing effective standardised process and systems to support these efforts
- having adequate skills, knowledge and resources available to meet the expectations of clients and Government in implementing the Initiative
- increasing partnering and communication between the SSA and its clients and customers to respond to emerging needs.

Key achievements in 2006-07

In 2006-07, the Initiative returned \$30.8 million in savings to Government.

Other key achievements during 2006-07 included:

- implemented the new whole-of-Government finance business solution in six Government agencies and piloted the new human resource business solution
- consolidated its business solution implementation resources from the multi-agency SSPs into a single team to ensure a seamless and coordinated approach for the rollout of the new business solutions across the SSA and its client agencies
- delivered services to clients in accordance with operating level agreements
- introduced notional pricing, based on a common costing and pricing methodology, to better inform the cost and price of purchasing corporate services and to prepare for full fee-for-service arrangements planned to commence in 2008
- continued the co-location of regional staff and undertook a review of organisational structures in the regions. Single offices now operate in Cairns, Townsville, Rockhampton, Toowoomba, Maroochydore and Robina
- delivered a leadership development program to 100 staff at all levels across the SSA
- developed and implemented governance arrangements and planning and performance management processes to support and consolidate the newly formed SSA.

Strategic direction

The main priorities for the SSA in its second year will be to deliver quality and innovative corporate services to client agencies, standardise and improve business processes and ensure staff are effectively skilled and supported to provide services that meet the expectations of clients and Government.

In 2007-08 the SSA will:

- develop and transition to a revised business model to achieve a single, integrated SSA approach to service delivery for customers and staff
- implement further leadership development and broader training and development programs, develop an effective recruitment, selection and retention strategy and optimise staffing to meet service demands through effective workforce planning processes
- implement a client relationship management strategy to develop an improved understanding of the business needs and priorities of agencies, respond to outcomes of the client and customer survey and enable targeted service delivery
- consolidate the SSA's information and communication technology (ICT) services into a single ICT operating environment for all SSA staff
- develop and deliver a standard costing, pricing and billing strategy for all SSA services including the introduction of full fee-for-service arrangements
- identify and implement business systems to increase the efficiency of business processes and improve service delivery
- work closely with the policy, program and release management function of the Shared Service Initiative (within Treasury Department) to ensure that the new standardised business solutions meet agency business requirements.

PERFORMANCE STATEMENT

Shared Service Agency				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Financial performance measures				
\$'000 SSA operating surplus/(deficit)		..	..	..
Labour costs as a percentage of total expenses		59%	59%	58%
Non-financial performance measures				
Number of full-time equivalents (FTEs) in SSA	1	2,163	2,165	2,199
Percentage of OLAs signed		100%	100%	100%
SSI Customer Satisfaction Index	2	≥ 60	54.8	..
SSI Client Satisfaction Index	2	≥ 60	47.2	..
Number of reports on policy and program management progress against whole-of-Government implementation plans		4	4	4
Achievement of key policy and program management deliverables within agreed timeframes		90%	90%	90%
Provision of policy advice, briefings, ministerial correspondence within agreed time frames		95%	100%	95%
<p>Notes:</p> <ol style="list-style-type: none"> The increase in the 2007-08 Target/Estimate is mainly due to additional volumes associated with increases in client agency FTEs as well as the transfer of functions from the CorpTech Shared Service Solutions Program to the SSA. The next client and customer survey will be held in 2008-09. Below target results reflect the stage of the implementation program. The Office of Economic and Statistical Research has recommended a review of the analysis methodology to enhance statistical validity, which may result in future changes to this measure. The full implementation of the Shared Service Initiative will result in standardisation of selected corporate service business processes and supporting systems. This standardised environment, together with a range of business improvement initiatives by providers and agencies, will enhance client and customer satisfaction. 				

CAPITAL ACQUISITIONS

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Property, plant and equipment	1	1,199	2,039	3,961
Other acquisitions of property, plant and equipment		..	..	..
TOTAL PROPERTY, PLANT AND EQUIPMENT		1,199	2,039	3,961
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other capital acquisitions		..	..	..
Other items		..	..	..
TOTAL OTHER CAPITAL ACQUISITIONS		..	..	..
TOTAL CAPITAL ACQUISITIONS		1,119	2,039	3,961
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity adjustment		..	..	..
Funding for depreciation and amortisation		2,458	2,214	2,298
Borrowings		..	..	..
Proceeds of asset sales		..	(30)	..
Other	2	(1,259)	(145)	1,663
TOTAL FUNDING SOURCES		1,199	2,039	3,961
Notes:				
1. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is due to anticipated asset replacements and the development of the ICT Service requirements for the SSA.				
2. This item represents fluctuations in cash reserves needed to fund capital expenditure.				

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges	1	217,015	221,191	237,717
Grants and other contributions	2	9,688	11,856	13,579
Other revenue	3	864	1,322	18
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		227,567	234,369	251,314
Expenses				
Employee expenses	4	134,819	140,751	150,855
Supplies and services	5	71,709	72,627	73,888
Grants and subsidies	6	1,040	1,040	2,290
Depreciation and amortisation		2,459	2,214	2,298
Finance/borrowing costs		..	..	..
Other expenses	7	17,540	17,737	21,983
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		227,567	234,369	251,314
OPERATING SURPLUS/(DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Net effect of the adoption of a new accounting standard		..	..	..
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)		..	..	..
Equity adjustments (MoG transfers)	8	(437)	(586)	..
Total movement in equity for period		(437)	(586)	..

BALANCE SHEET

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	9	12,682	15,266	13,049
Receivables	10	16,627	18,754	19,664
Other financial assets		..	..	..
Inventories		12	10	10
Other	11	70	292	100
Non-financial assets held for sale		..	..	..
Total current assets		29,391	34,322	32,823
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment	12	6,103	8,361	10,043
Intangibles		323	276	258
Other		..	..	..
Total non-current assets		6,426	8,637	10,301
TOTAL ASSETS		35,817	42,959	43,124
CURRENT LIABILITIES				
Payables	13	10,042	14,811	14,411
Employee benefits obligations	14	12,048	9,778	9,788
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other	15	5,775	9,034	9,589
Total current liabilities		27,865	33,623	33,788
NON-CURRENT LIABILITIES				
Payables		..	..	..
Employee benefits obligations	16	1,253	973	973
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		1,253	973	973
TOTAL LIABILITIES		29,118	34,596	34,761
NET ASSETS/(LIABILITIES)		6,699	8,363	8,363
EQUITY				
Capital/contributed equity	17	5,957	7,387	7,387
Retained surplus/(accumulated deficit)		742	976	976
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		6,699	8,363	8,363

CASH FLOW STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges	18	216,515	221,040	237,362
Grants and other contributions	19	9,688	11,856	13,579
Other	20	896	1,351	18
Outflows:				
Employee costs	21	(134,554)	(140,622)	(150,676)
Supplies and services	22	(71,597)	(72,072)	(74,266)
Grants and subsidies	23	(1,040)	(1,040)	(2,290)
Borrowing costs		..		
Other	24	(17,540)	(17,706)	(21,983)
Net cash provided by/(used in) operating activities		2,368	2,807	1,744
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	(30)	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment	25	(1,199)	(2,039)	(3,961)
Payments for intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(1,199)	(2,069)	(3,961)
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		1,169	738	(2,217)
Cash at the beginning of financial year		11,564	14,493	15,266
Cash transfers from restructure		(51)	35	..
Cash at the end of financial year		12,682	15,266	13,049

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is predominantly due to increased funding for fee for service activities and the 4% wage outcome from the most recent Enterprise Bargaining Agreement.
2. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is due to the drawdown of prepaid performance return to fund key projects, such as SSS Standard Offering Implementation and Costing and Pricing as well as interest income and funding for the Shared Service Implementation Policy and Program Office.
3. The increase in the 2006-07 Estimated Actual and the decrease in the 2007-08 Estimate is mainly due to the recovery of ICT projects for CorporateLink in 2006-07 and the interest being earned via grants and contributions due to the abolition of the Cash Management Incentive Regime from 1 January 2007, where interest on cash balances has been replaced with grant revenue.
4. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is due to transition of additional services and increased fee for service and project activities.
5. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate reflects the increase in non-labour costs associated with increased project and fee for service activities.
6. The increase in the 2007-08 Estimate reflects funding for major grants to CorpTech including the Business Transformation area in SSS, the Business Process Transition area in SSS that is transferring to the Shared Service Initiative Policy and Program Office in 2007-08 and the reimbursement to CorpTech for the Business Leads for the last six months of 2006-07.
7. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate reflects the expected increase in targeted performance return.

Statement of Changes in Equity

8. The 2006-07 Budget and Estimated Actual relates to the transfer of assets and liabilities for the Machinery of Government transition of the SSI Office from Treasury Department.

Balance Sheet

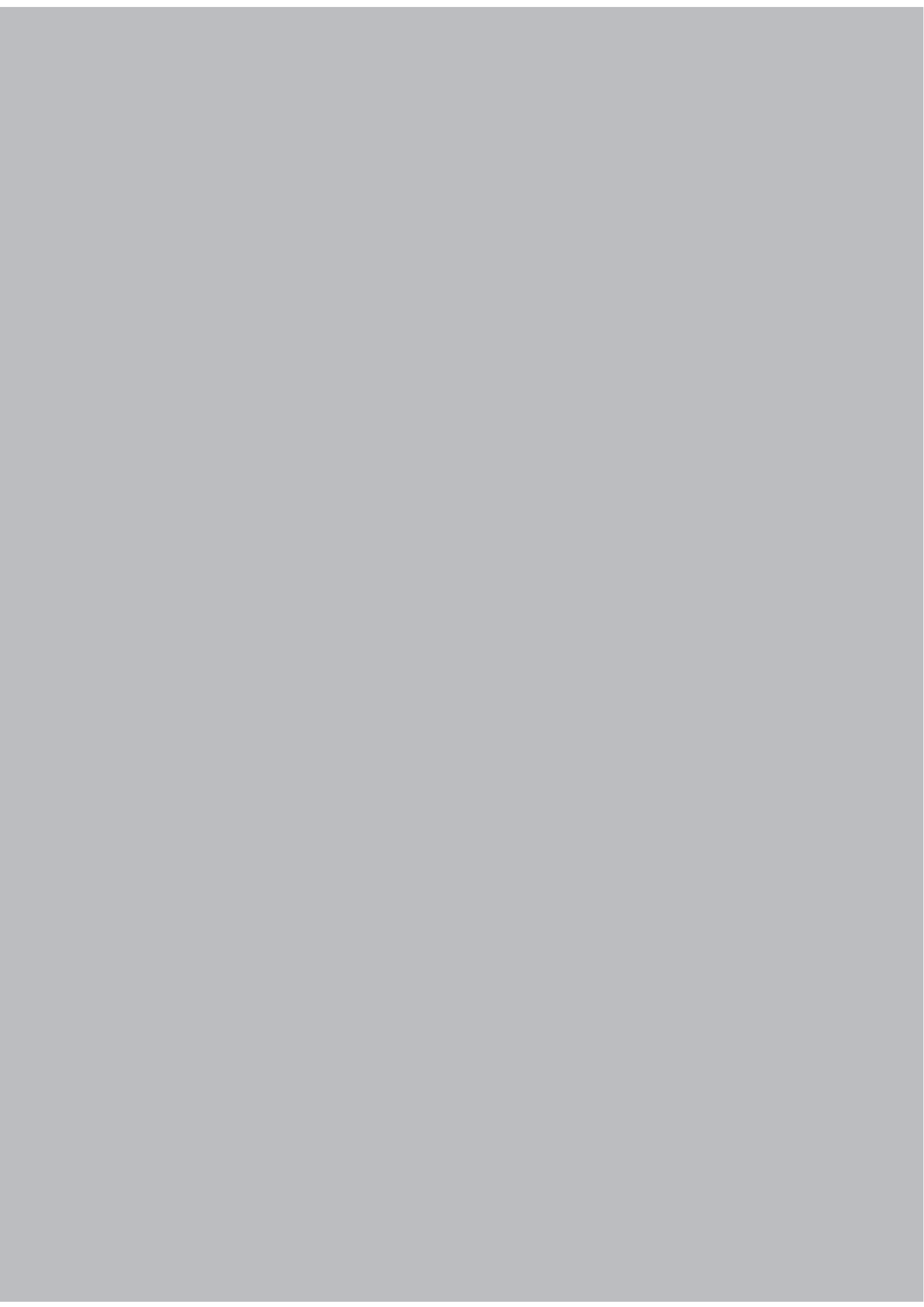
9. The increase in the 2006-07 Estimated Actual is due to the drawdown of prepaid performance return, which relates to an increased performance return paid above targeted amounts in 2005-06 and 2006-07. The decrease in the 2007-08 Estimate reflects the expected increase in capital acquisitions.
10. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is in line with increased services resulting in increases in monthly billing to client agencies.
11. The increase in the 2006-07 Estimated Actual is mainly due to the estimated balance of prepayments at 30 June 2007.
12. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is due to anticipated assets replacement and the development of the ICT Service requirements for the SSA.
13. The increase in the 2006-07 Estimated Actual reflects the expected increase in trade creditors relating to accommodation, contractors, corporate costs and agency reimbursement balances at 30 June 2007.
14. The decrease in the 2006-07 Estimated Actual is due to an expected decrease in leave liabilities at 30 June.
15. The increase in the 2006-07 Estimated Actual and the 2007-08 Estimate is the expected increase in Operating Level Agreement (OLA) fees invoiced in advance.
16. The decrease in the 2006-07 Estimated Actual is due to an expected decrease in non-current leave liabilities at 30 June.
17. The increase in the 2006-07 Estimated Actual is predominantly due to the transfer of regional office fit-out costs.

Statement of Cash Flows

18. Refer to Note 1 above.
19. Refer to Note 2 above.
20. Refer to Note 3 above.
21. Refer to Note 4 above.
22. Refer to Note 5 above.
23. Refer to Note 6 above.
24. Refer to Note 7 above.
25. Refer to Note 12 above.

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**MINISTERIAL PORTFOLIO STATEMENT
2007-08 STATE BUDGET**

**DEPUTY PREMIER, TREASURER AND
MINISTER FOR INFRASTRUCTURE**

MOTOR ACCIDENT INSURANCE ADMINISTRATION

**Hon. Anna Bligh MP
Deputy Premier, Treasurer and
Minister for Infrastructure**

**John Hand
Insurance Commissioner**

OVERVIEW

STRATEGIC ISSUES

The Motor Accident Insurance Commission (MAIC) and the Nominal Defendant statutory bodies contribute to the motor accident insurance administration output. These bodies provide a framework for determining premiums and levies - ensuring compliance with the provisions of the *Motor Accident Insurance Act 1994* - and meet the cost of claims involving unidentified and uninsured motor vehicles, as well as claims against insolvent compulsory third party (CTP) insurers.

This output provides a viable and equitable personal injury compensation system through the regulation of the Queensland CTP scheme, encompassing injury control and the management of the Nominal Defendant scheme.

The key strategic objectives of this output include:

- ensuring premium affordability and overall stability of the scheme
- reviewing and recommending the most appropriate structure for the scheme
- maintaining insurance standards through regular and detailed contact with the Australian Prudential Regulation Authority (APRA) as prudential regulator under the *Insurance Act 1973 (Commonwealth)* and the *General Insurance Reform Act 2001 (Commonwealth)* and in conjunction with APRA, monitoring the financial strength of licensed insurers
- monitoring the operation of the scheme and the management of claims by insurers
- providing education, research and funding initiatives to increase the community's awareness of the scheme and its claims process and to support initiatives that advance accident prevention and injury management
- funding and managing the claims liabilities of the Nominal Defendant including liabilities arising from the insolvency of FAI General Insurance Company Ltd.

Non-departmental output

This output provides policy advice and service related to the management of the CTP and Nominal Defendant schemes and contributes to Government priorities and community outcomes by:

- contributing to an improved standard of living for all Queenslanders by ensuring affordable premiums, licensing insurers, monitoring in conjunction with APRA the financial strength of these licensed insurers and maintaining a scheme with fully funded premiums
- minimising the risk and impact of accidents by funding selected accident prevention initiatives managed by other Government agencies
- improving the lives of victims injured through motor vehicle accidents by promoting research, education and rehabilitation services through the CTP scheme.

Staffing

It is anticipated that full-time equivalent staffing numbers for 2007-08 will be 40.

NON-DEPARTMENTAL OUTPUT PERFORMANCE

NON-DEPARTMENTAL OUTPUT: Motor Accident Insurance Administration

RELATED OUTCOME: Delivering responsive government

DESCRIPTION

The Motor Accident Insurance Commission (MAIC) is responsible for the insurance output. The Commission provides a viable and equitable personal injury compensation system through the regulation of the Queensland Compulsory Third Party (CTP) scheme, which encompasses injury prevention and control. It also manages the Nominal Defendant scheme.

The Commission's main activities include:

- licensing, supervising and monitoring the financial strength of insurers in relation to their CTP operation
- keeping the statutory scheme under review, making recommendations for its amendment and working in partnership with stakeholders to improve management processes for claims
- setting premium bands and recommending scheme levies based on research and independent actuarial analyses
- collecting statistical data on the scheme and monitoring scheme trends and the performance of CTP insurers
- promoting, assessing and, where appropriate, funding education and research activities to minimise and mitigate the effect of motor vehicle accidents and monitor the provision of rehabilitation services
- determining the appropriate Nominal Defendant levy, managing claims lodged against the Nominal Defendant, ensuring the adequacy of the Nominal Defendant Fund and prudently investing reserves
- operating CTP claims and premium helpline services for scheme users.

REVIEW OF NON-DEPARTMENTAL OUTPUT PERFORMANCE

Recent achievements

Significant recent achievements include:

- performed a strategic analysis of scheme data and trends and developed a performance framework to ensure insurers adopt best practice in terms of injury and claims management
- conducted investigations into optimal processes the Commission should adopt to strengthen its relationship with the Australian Prudential Regulation Authority (APRA) in the areas of prudential supervision and risk management

- delivered an enhanced information role in line with trends in compensation schemes to support the changing nature of compensation under tort reform
- improved planning, key performance indicator (KPI) monitoring and performance management processes for all staff
- refined grants management and assessment systems to effectively meet the needs of the CTP Scheme and its stakeholders
- continued building and achieving effective stakeholder relationships with insurers, CTP claimants, legal representatives and medical and allied health providers
- managed outstanding CTP claims following the insolvency of FAI as well as the proof-of-debt process
- adopted initiatives to provide better service delivery
- implemented a new organisational structure for the Nominal Defendant unit to increase its efficiency and effectiveness.

Future developments

During 2007-08 this output will focus on the following key priorities:

- continuing data collection, processing and reporting enhancements to the Personal Injury Register system
- implementing processes the Commission has adopted to strengthen its relationship with APRA in the areas of prudential supervision and risk management
- continuing the development of appropriate information and education strategies targeted to stakeholders and identified as a priority for the scheme's optimal performance
- improving planning, KPI monitoring and performance management processes for staff
- continuing to refine grants management and assessment systems so that fund activities are targeted and made a priority for the CTP scheme
- continuing to build and achieve effective stakeholder relationships with insurers, CTP claimants, legal representatives and medical and allied health providers
- ongoing management of outstanding CTP claims following the insolvency of FAI and managing the proof-of-debt process
- developing and implementing a performance management framework for monitoring and evaluating providers of legal services to the Nominal Defendant
- transitioning Nominal Defendant claim files to a file imaging system
- using continuous improvement initiatives as a catalyst for increasing efficiencies in claims management activities within the Nominal Defendant
- reviewing and evaluating the effectiveness of the Nominal Defendant organisational structure which was adopted in early 2007.

NON-DEPARTMENTAL OUTPUT STATEMENT

Non-departmental output: Motor Accident Insurance Administration				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Number of Nominal Defendant claims finalised as a percent of total outstanding claims	1	40%	45%	50%
Quality				
Percentage of premium going to injured persons		65%	65%	65%
Annual certification percentage of Nominal Defendant full funding as at 30 June of the previous year		100%	100%	100%
Timeliness				
Recommendation to the Treasurer of annual CTP levies by the agreed time frame		100%	100%	100%
Setting of premium bands within legislative timeframes, including independent quarterly actuarial review of scheme		100%	100%	100%
Cost (\$)				
Average operating cost per Nominal Defendant claim	2	\$1,260	\$1,269	\$1,311
Available funds per CTP policy for grant funding	3	\$0.37	\$0.17	\$0.22
Highest filed CTP premium for Class 1 vehicles does not exceed the Affordability Index as prescribed under the <i>Motor Accident Insurance Act 1994</i>	4	100%	100%	100%
State contribution (\$'000)	5	..	..	..
Other revenue (\$'000)	5	89,511	107,356	100,627
Total cost (\$'000)	5	59,852	(11,964)	66,349
Notes:				
1. This new measure takes into consideration the complex and long-tail nature of personal injury claims, which can take several years to finalise. The 2007-08 Target/Estimate is based on the total claims finalised during the financial year as a percent of total outstanding claims (opening balance as at 1 July 2007 plus the number of new claims received during the financial year).				
2. The increase in the 2006-07 Estimated Actual and the 2007-08 Target/Estimate is the result of higher than anticipated operating expenses. Refer also to note 4.				
3. The decrease in the 2006-07 Estimated Actual is a result of higher than anticipated operating expenses.				
4. Affordability Index is determined in accordance with Section 15 of the <i>Motor Accident Insurance Act 1994</i> and is currently set at 45 percent of the average weekly earnings.				
5. Refer to the Income Statement – Motor Accident Insurance Commission on page 2-5 and the Income Statement – Nominal Defendant on page 2-9.				

INCOME STATEMENT – Motor Accident Insurance Commission

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	10,958	12,716	12,048
Total income		10,958	12,716	12,048
Expenses				
Employee expenses	2	2,409	2,344	2,580
Supplies and services		1,192	1,600	1,405
Grants and subsidies	3	4,800	4,800	5,375
Depreciation and amortisation		88	77	81
Finance/borrowing costs		..	..	..
Other expenses		101	312	306
Total expenses		8,590	9,133	9,747
OPERATING SURPLUS / (DEFICIT)		2,368	3,583	2,301

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Net effect of the adoption of a new accounting standard	
Net amount of all revenue and expense adjustments direct to equity not disclosed above		32
Net income recognised directly in equity		32
Surplus/ (deficit) for the period		2,368	3,583	2,301
Total recognised income and expense for the period		2,368	3,583	2,301
Equity injection/ (withdrawal)	
Increase/ (decrease) in asset revaluation reserve	
Total movement in equity for period		2,368	3,583	2,333

BALANCE SHEET – Motor Accident Insurance Commission

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets		500	1,122	1,122
Receivables		116	477	836
Other financial assets	4	31,402	29,675	31,638
Other		29	30	31
Total current assets		32,047	31,304	33,627
NON-CURRENT ASSETS				
Receivables		500	500	500
Other financial assets		10,500	10,500	10,500
Property, plant and equipment		73	38	31
Intangibles		193	194	140
Other		..	..	..
Total non-current assets		11,266	11,232	11,171
TOTAL ASSETS		43,313	42,536	44,798
CURRENT LIABILITIES				
Payables		320	490	418
Interest-bearing liabilities		..	..	..
Provisions		..	..	..
Other		..	..	..
Total current liabilities		320	490	418
NON-CURRENT LIABILITIES				
Payables		16	33	34
Interest-bearing liabilities		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		16	33	34
TOTAL LIABILITIES		336	523	452
NET ASSETS/ (LIABILITIES)		42,977	42,013	44,346
EQUITY				
Capital/contributed equity		160	160	160
Retained surplus/(accumulated deficit)	5	27,517	26,553	28,854
Reserves:				
- Asset revaluation reserve		..	..	..
- Other (Income maintenance & grants reserve)		15,300	15,300	15,332
TOTAL EQUITY		42,977	42,013	44,346

CASH FLOW STATEMENT – Motor Accident Insurance Commission

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	6	10,998	12,043	11,151
Outflows:				
Employee costs	7	(2,409)	(2,358)	(2,583)
Supplies and services		(1,204)	(1,601)	(1,473)
Grants and subsidies	8	(4,800)	(4,800)	(5,376)
Borrowing costs		..	..	..
Other		(101)	(312)	(306)
Net cash provided by / (used in) operating activities		2,484	2,972	1,413
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		4,800	4,800	5,375
Loans and advances redeemed		..	550	550
Outflows:				
Payments for property, plant and equipment		(4)	156	..
Payments for investments	9	(7,280)	(8,268)	(7,338)
Loans and advances made		..	..	..
Net cash provided by / (used in) investing activities		(2,484)	(2,762)	(1,413)
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		..	210	..
Cash at the beginning of financial year		500	912	1,122
Cash transfers from restructure		..	..
Cash at the end of financial year		500	1,122	1,122

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2006-07 Estimated Actual is a result of higher than expected rates of return on Queensland Investment Corporation investments. The decrease in the 2007-08 Estimate is due to a decline in the rate of return back to the long term average.
2. The increase in the 2007-08 Estimate is due to creation of additional positions and upgrades to existing positions, to meet the diverse demands and emerging issues in the Queensland Compulsory Third Party (CTP) Scheme.
3. The increase in the 2007-08 Estimate reflects the decision to increase funding for road safety initiatives.

Balance Sheet

4. The decrease in the 2006-07 Estimated Actual is due to an expected decrease in the Statutory Insurance Levy. The increase in the 2007-08 Estimate reflects an increase in the Statutory Insurance Levy as a result of projected fleet vehicle volume growth.
5. The decrease in the 2006-07 Estimated Actual is a result of a less than expected opening balance of retained surpluses. The subsequent increase in the 2007-08 Estimate reflects the anticipated net surplus in that year.

Cash Flow Statement

6. Refer to Note 1 above.
7. Refer to Note 2 above.
8. Refer to Note 3 above.
9. The increase in the 2006-07 Estimated Actual predominantly reflects the reinvestment of higher than anticipated investment earnings.

INCOME STATEMENT – Nominal Defendant

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	78,553	94,640	88,579
Total income		78,553	94,640	88,579
Expenses				
Employee expenses		781	705	788
Supplies and services	2	51,858	53,516	56,357
Grants and subsidies		..	..	..
Depreciation and amortisation		53	50	48
Finance/borrowing costs		..	..	..
Other expenses	3	(1,430)	(75,368)	(591)
Total expenses		51,262	(21,097)	56,602
OPERATING SURPLUS / (DEFICIT)	4	27,291	115,737	31,977

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Net effect of the adoption of a new accounting standard		..	..	..
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	5	27,291	115,737	31,977
Total recognised income and expense for the period		27,291	115,737	31,977
Equity injection/ (withdrawal)		..	(74,166)	(170)
Increase/ (decrease) in asset revaluation reserve		..	..	..
Total movement in equity for period		27,291	41,571	31,807

BALANCE SHEET – Nominal Defendant

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets		1,000	1,121	999
Receivables	6	447	1,024	588
Other financial assets	7	61,918	70,228	72,409
Other		6	3	3
Total current assets		63,371	72,376	73,999
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets	8	247,673	277,330	322,734
Property, plant and equipment		16	3	14
Intangibles		129	127	83
Other		..	..	..
Total non-current assets		247,818	277,460	322,831
TOTAL ASSETS		311,189	349,836	396,830
CURRENT LIABILITIES				
Payables		446	533	549
Interest-bearing liabilities		..	..	..
Provisions	9	55,012	45,577	45,495
Other		26,892	26,266	27,955
Total current liabilities		82,350	72,376	73,999
NON-CURRENT LIABILITIES				
Payables		12	14	15
Interest-bearing liabilities		..	..	..
Provisions	10	176,278	187,265	200,828
Other		..	..	..
Total non-current liabilities		176,290	187,279	200,843
TOTAL LIABILITIES		258,640	259,655	274,842
NET ASSETS/ (LIABILITIES)		52,549	90,181	121,988
EQUITY				
Capital/contributed equity	11	245,594	152,885	152,715
Retained surplus/(accumulated deficit)	12	(193,045)	(62,704)	(30,727)
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		52,549	90,181	121,988

CASH FLOW STATEMENT – Nominal Defendant

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	13	80,209	94,405	90,704
Outflows:				
Employee costs		(782)	(828)	(783)
Supplies and services	14	(28,691)	(70,855)	(56,345)
Grants and subsidies		..	..	..
Borrowing costs		..	..	..
Other	15	(19,204)	82,862	14,072
Net cash provided by / (used in) operating activities		31,532	105,584	47,648
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	11	..
Investments redeemed	16	..	7,486	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment		(11)	(11)	(15)
Payments for intangibles		..	..	..
Payments for investments	17	(31,521)	(38,905)	(47,585)
Loans and advances made		..	..	..
Net cash provided by/ (used in) investing activities		(31,532)	(31,419)	(47,600)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections		..	..	..
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	18	..	(74,166)	(170)
Net cash provided by / (used in) financing activities		..	(74,166)	(170)
Net Increase/ (decrease) in cash held		..	(1)	(122)
Cash at the beginning of financial year		1,000	1,122	1,121
Cash transfers from restructure		..	..	..
Cash at the end of financial year		1,000	1,121	999

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2006-07 Estimated Actual results from a higher than expected rate of return on Queensland Investment Corporation (QIC) investments. The decrease in the 2007-08 Estimate is a result of a lower expected rate of return on QIC investments.
2. The increase in the 2007-08 Estimate is a result of a forecasted increase in Nominal Defendant claims costs and movement in the outstanding claims provision as compared to 2006-07.
3. The decrease in the 2006-07 Estimated Actual and the increase in 2007-08 Estimate is predominantly due to dividends received for the FAI-Tail in 2006-07.
4. The increase in the 2006-07 Estimated Actual is due to dividends received for the FAI-Tail in 2006-07. The decrease in the 2007-08 Estimate is a result of investing FAI-Tail dividends into QIC investments in 2006-07.

Statement of Changes in Equity

5. Refer to Note 4 above.

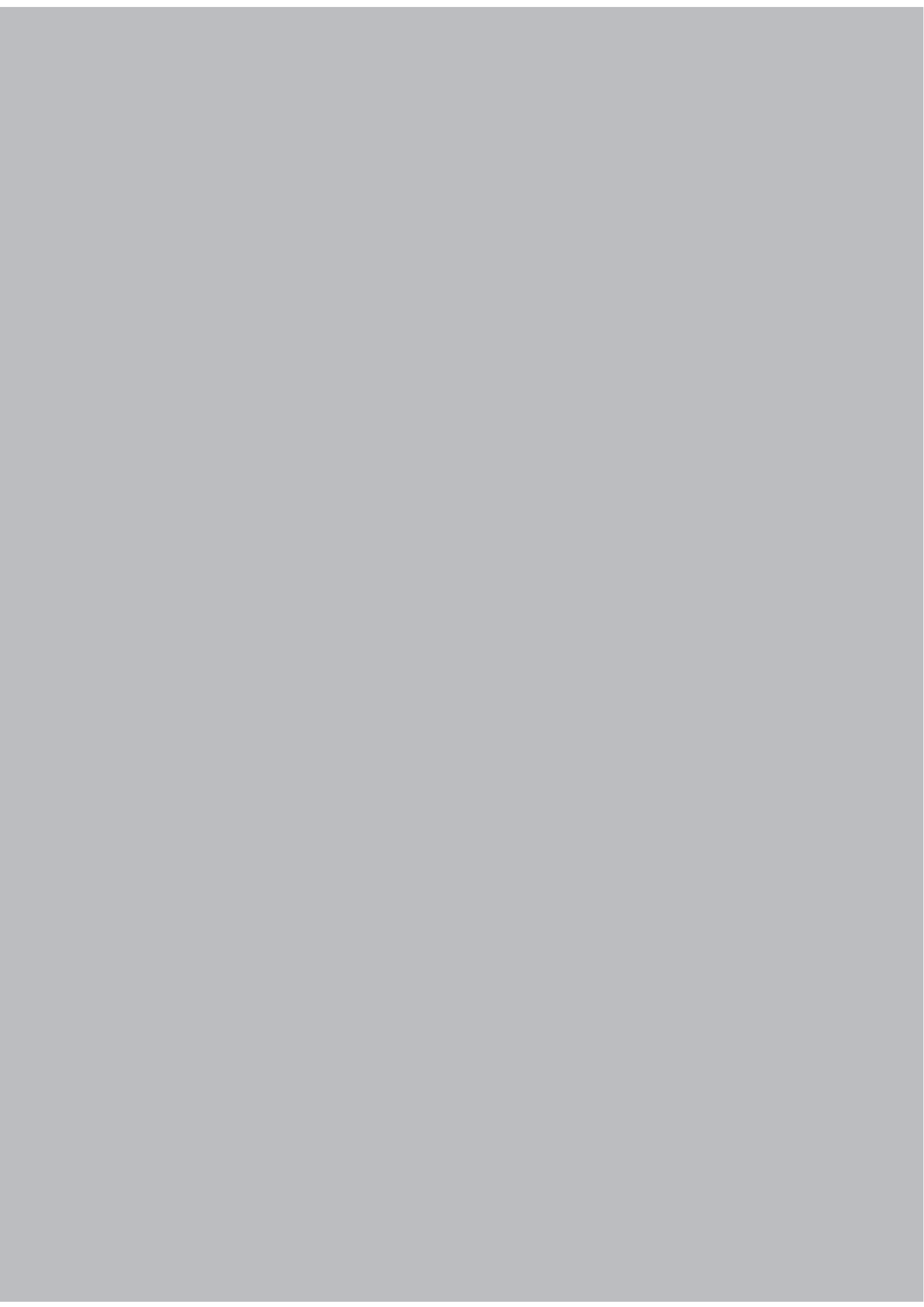
Balance Sheet

6. The increase in the 2006-07 Estimated Actual is due to an increase in the FAI-Tail Sharing Receivable. The subsequent decrease in the 2007-08 Estimate is due to a decrease in the FAI-Tail Sharing Receivable as the FAI-Tail diminishes.
7. The increase in the 2006-07 Estimated Actual predominantly reflects the reinvestment of higher than anticipated positive investment earnings. The increase in the 2007-08 Estimate reflects the reinvestment of positive earnings and the reclassification of the current/non-current investments to align with the apportionment of the Nominal Defendant outstanding claims provision. Refer to Note 8 below.
8. The increase in the 2006-07 Estimated Actual and 2007-08 Estimate reflects the reclassification of the current/non-current investments to align with the apportionment of the Nominal Defendant outstanding claims provision.
9. The decrease in the 2006-07 Estimated Actual reflects a lower than anticipated audited non-current outstanding claims provision opening balance together with a decrease in adjustment to the FAI-Tail outstanding claims provision.
10. The increase in the 2006-07 Estimated Actual reflects a higher than anticipated audited non-current outstanding claims provision opening balance.
11. The 2006-07 Estimated Actual and 2007-08 Estimate reflects a nil reimbursement from Treasury for FAI-Tail claims liabilities as a result of a decision to utilise surplus Nominal Defendant funds to meet FAI claims during 2006-07 and 2007-08.
12. The decrease in the 2006-07 Estimated Actual deficit has predominantly occurred as a result of a higher than anticipated audited opening balance together with a higher than expected net surplus in 2006-07. The subsequent decrease in the 2007-08 Estimate reflects the anticipated net surplus.

Cash Flow Statement

13. Refer to Note 1 above.
14. The increase in the 2006-07 Estimate Actual is the result of a forecasted increase in Nominal Defendant claim payments.
15. The change in the 2006-07 Estimate Actual is predominately due to dividends received for the FAI-Tail in 2006-07. The decrease in the 2007-08 Estimate compared to the 2006-07 Budget is the result of a forecast decrease in claim payments as the FAI-Tail diminishes.
16. The decrease in 2007-08 Estimate reflects an expected decrease in drawdowns as a result of the run-off of the FAI-Tail costs.
17. The increase in the 2007-08 Estimate is primarily due to the reinvestment of lower than anticipated investment earnings.
18. The increase in the 2006-07 is due to a reimbursement to Treasury for FAI-Tail claims.







**MINISTERIAL PORTFOLIO STATEMENT
2007-08 STATE BUDGET**

**DEPUTY PREMIER, TREASURER AND
MINISTER FOR INFRASTRUCTURE**

QUEENSLAND FUTURE GROWTH CORPORATION

**Hon. Anna Bligh MP
Deputy Premier, Treasurer and
Minister for Infrastructure**

**Gerard Bradley
Under Treasurer**

OVERVIEW

STRATEGIC ISSUES

The Queensland Future Growth Fund has been established by investing the proceeds from the sale of Sun Retail, Sun Gas, Powerdirect Australia and the Allgas network. Its purpose is to fund initiatives that will be of benefit to the future economy of Queensland, specifically:

- implementing strategies to ensure security of water supply by providing finance for critical water infrastructure
- supplying funds for the research and development of innovative technologies to mitigate the effects of climate change. In this way, the Fund will proactively advance the State's environmental sustainability whilst supporting Queensland's industries and enhancing economic wellbeing
- providing funding for future projects to ensure that Queensland's infrastructure supports the State's rate of growth.

Staffing

No staff will be employed by the Corporation.

NON-DEPARTMENTAL OUTPUT PERFORMANCE

NON-DEPARTMENTAL OUTPUT: Queensland Future Growth Corporation

RELATED OUTCOME: Delivering responsive government

DESCRIPTION

The Queensland Future Growth Corporation has been created as a corporation sole under the *Future Growth Fund Act 2006* to administer the Queensland Future Growth Fund (the Fund). The Fund is to provide for initiatives and infrastructure for the benefit of Queensland.

REVIEW OF NON-DEPARTMENTAL OUTPUT PERFORMANCE

Recent achievements

Following a competitive sales process, the proceeds from the sale of the ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect have amounted to over \$3 billion. With all sales now complete, the following agreements have been finalised for the retail assets:

- Allgas distribution business to the APA Group for \$535 million
- Sun Retail electricity retailing business to Origin Energy for \$1.202 billion
- Sun Gas energy retailing business to AGL Energy for \$75 million
- Powerdirect Australia to AGL Energy for \$1.203 billion.

These proceeds have been allocated to the Queensland Future Growth Fund, less stamp duty and associated sales costs.

While other states have directed the proceeds from similar sales to paying off debt, the Queensland Government's history of prudent financial management means it is able to invest the sale proceeds in the future growth and prosperity of the State.

Future developments

Over the coming years, the Fund will focus on key priorities which include:

- committing funds to the construction and acceleration of vital infrastructure projects in the areas of water and transport. As the energy sales proceeds were substantially greater than forecast, it is now possible to allocate \$1.5 billion to the areas of water and transport. The Department of Transport is allocated \$500 million towards advancing planning and construction of high priority public transport projects
- \$300 million allocated for Clean Coal technology that will make a proactive and positive contribution to the science and technology of reducing greenhouse gas emissions

- a further \$100 million on projects to combat the effects of climate change including an investment of \$50 million in the Queensland Renewable Energy Fund to support projects involving leading edge renewable energy technologies. Funding is also available for a broader program of climate change initiatives, including an Energy Savings Fund which will support Queensland companies investing in energy efficient products and a ClimateSmart Living campaign to raise awareness of climate change and highlight actions Queenslanders can take to reduce their greenhouse gas emissions
- \$100 million towards Smart State projects, specifically the Innovation Building Fund. This will provide an opportunity to capitalise on previous investment in research and development infrastructure and to develop further in areas of comparative advantage
- \$600 million for commercial infrastructure, including funding for ENERGEX and Ergon Energy to improve their distribution networks. Funding will also be provided to other economically significant projects outside of South East Queensland, with details on projects to be determined by future priorities and commercial negotiations. Investment in these projects will reimburse the Government for income lost through the sale of the energy assets
- an injection of \$500 million to the Department of Housing to fund a major expansion of the State's social housing stock. This will enhance the department's capacity to commence new purchases and constructions in the areas of Public Rental Housing, Aboriginal and Torres Strait Islander Housing and Community Housing, thereby ensuring that the future needs of the community are satisfied.

The Fund will also benefit from the reinjection of interest earnings on the Fund balance.

Queensland Future Growth Fund Projects	Total Allocation \$ million	2006-07 Budget \$ million	2006-07 Est. Act. \$ million	2007-08 Budget \$ million
Water and transport infrastructure	1,500.0	..	..	156.0
Clean coal technology	300.0	..	29.6	56.8
Climate change projects	100.0	..	..	20.0
Smart State projects	100.0	..	..	15.0
Commercial infrastructure including Government-owned corporations	600.0	..	400.0	..
Social housing stock	500.0	..	..	85.0
Total	3,100.0	..	429.6	332.8

NON-DEPARTMENTAL OUTPUT STATEMENT

Non-Departmental Output: Queensland Future Growth Corporation				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quality				
Fund administered in accordance with government guidelines		n/a	100%	100%
Allocation of funds to projects within the intended scope of the Fund		n/a	100%	100%
Timeliness				
Provision of funding in accordance with project cash flows		n/a	100%	100%
State contribution (\$'000)	1	..	..	..
Other revenue (\$'000)	1	..	..	132,888
Total cost (\$'000)	1	..	..	2,350
Notes:				
1. Refer to the Income Statement on page 3-5.				

INCOME STATEMENT – Queensland Future Growth Corporation

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	..	..	132,888
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		..	..	132,888
Expenses				
Employee expenses	2	..	..	..
Supplies and services		..	..	2,350
Grants and subsidies		..	..	..
Depreciation and amortisation		..	..	..
Finance/borrowing costs		..	..	..
Other expenses		..	..	..
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		..	..	2,350
OPERATING SURPLUS/(DEFICIT)		..	..	130,538

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 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		130,538
Total recognised income and expense for the period		130,538
Equity injection/(withdrawal)		..	1,670,398	624,541
Equity adjustments (MoG transfers)	
Total movement in equity for period		..	1,670,398	755,079

BALANCE SHEET – Queensland Future Growth Corporation

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	3	..	1,370,398	2,275,477
Receivables		..	..	..
Other financial assets		..	150,000	150,000
Inventories		..	..	..
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		..	1,520,398	2,425,477
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	150,000	..
Property, plant and equipment		..	..	..
Intangibles		..	..	..
Other		..	..	..
Total non-current assets		..	150,000	..
TOTAL ASSETS		..	1,670,398	2,425,477
CURRENT LIABILITIES				
Payables		..	..	..
Employee benefits obligations		..	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total current liabilities		..	..	..
NON-CURRENT LIABILITIES				
Payables		..	..	..
Employee benefits obligations		..	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		..	..	..
TOTAL LIABILITIES		..	..	..
NET ASSETS/(LIABILITIES)		..	1,670,398	2,425,477
EQUITY				
Capital/contributed equity	3	..	1,670,398	2,294,939
Retained surplus/ (accumulated deficit)		..	..	130,538
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		..	1,670,398	2,425,477

CASH FLOW STATEMENT – Queensland Future Growth Corporation

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	4	..	..	132,888
Outflows:				
Employee costs		..	..	..
Supplies and services	5	..	..	(2,350)
Grants and subsidies		..	..	..
Borrowing costs		..	..	..
Other		..	..	..
Net cash provided by/(used in) operating activities		..	..	130,538
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	150,000
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment and intangibles		..	..	..
Payments for investments		..	(300,000)	..
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		..	(300,000)	150,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	6	..	2,100,000	957,300
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	7	..	(429,602)	(332,759)
Net cash provided by/(used in) financing activities		..	1,670,398	624,541
Net Increase/(decrease) in cash held		..	1,370,398	905,079
Cash at the beginning of financial year		..	..	1,370,398
Cash transfers from restructure		..	..	..
Cash at the end of financial year		..	1,370,398	2,275,477

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

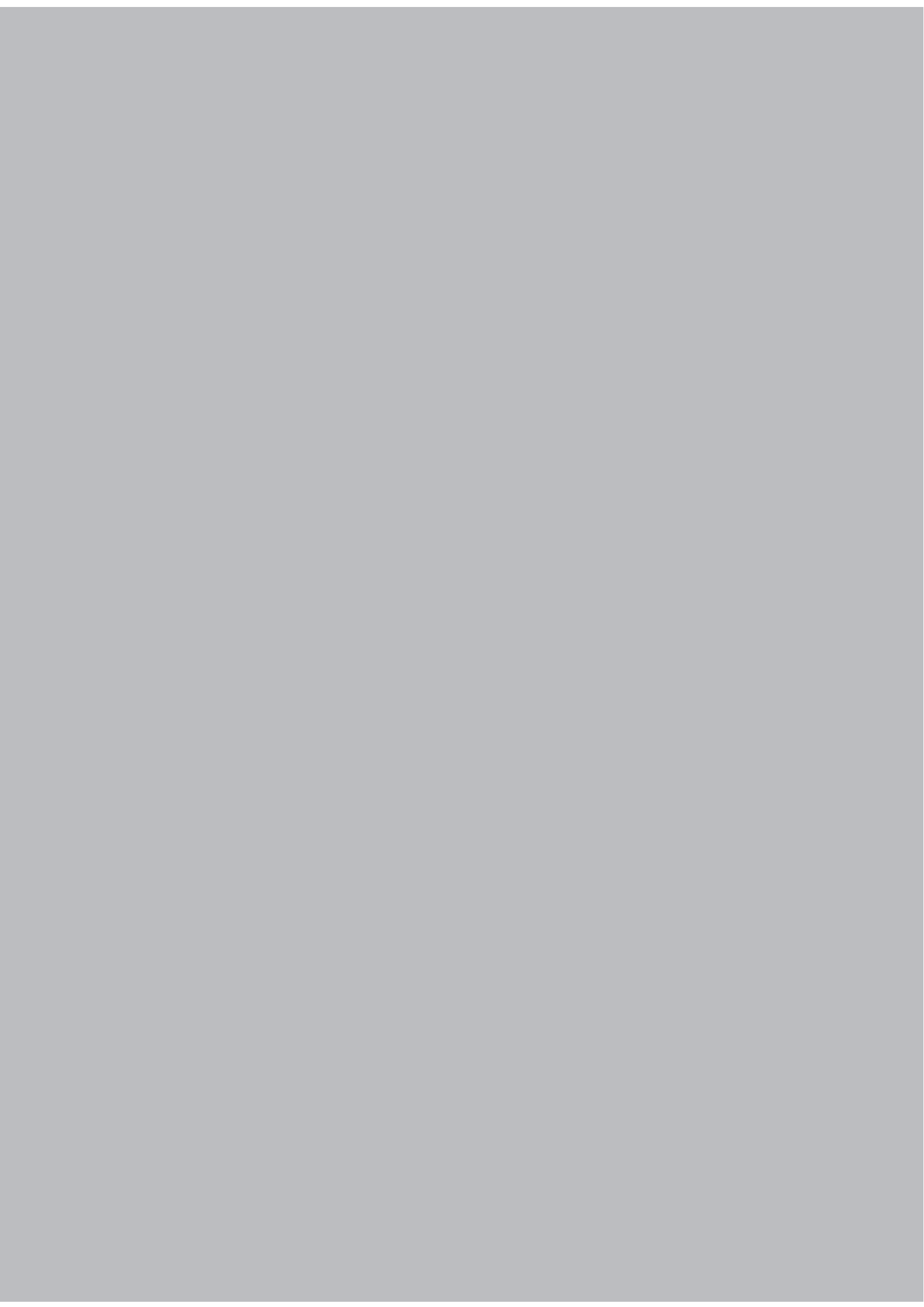
1. This reflects forecast interest earnings on the Fund balance.
2. This reflects forecast administration charges payable to the Queensland Treasury Corporation to manage the Fund's investments.

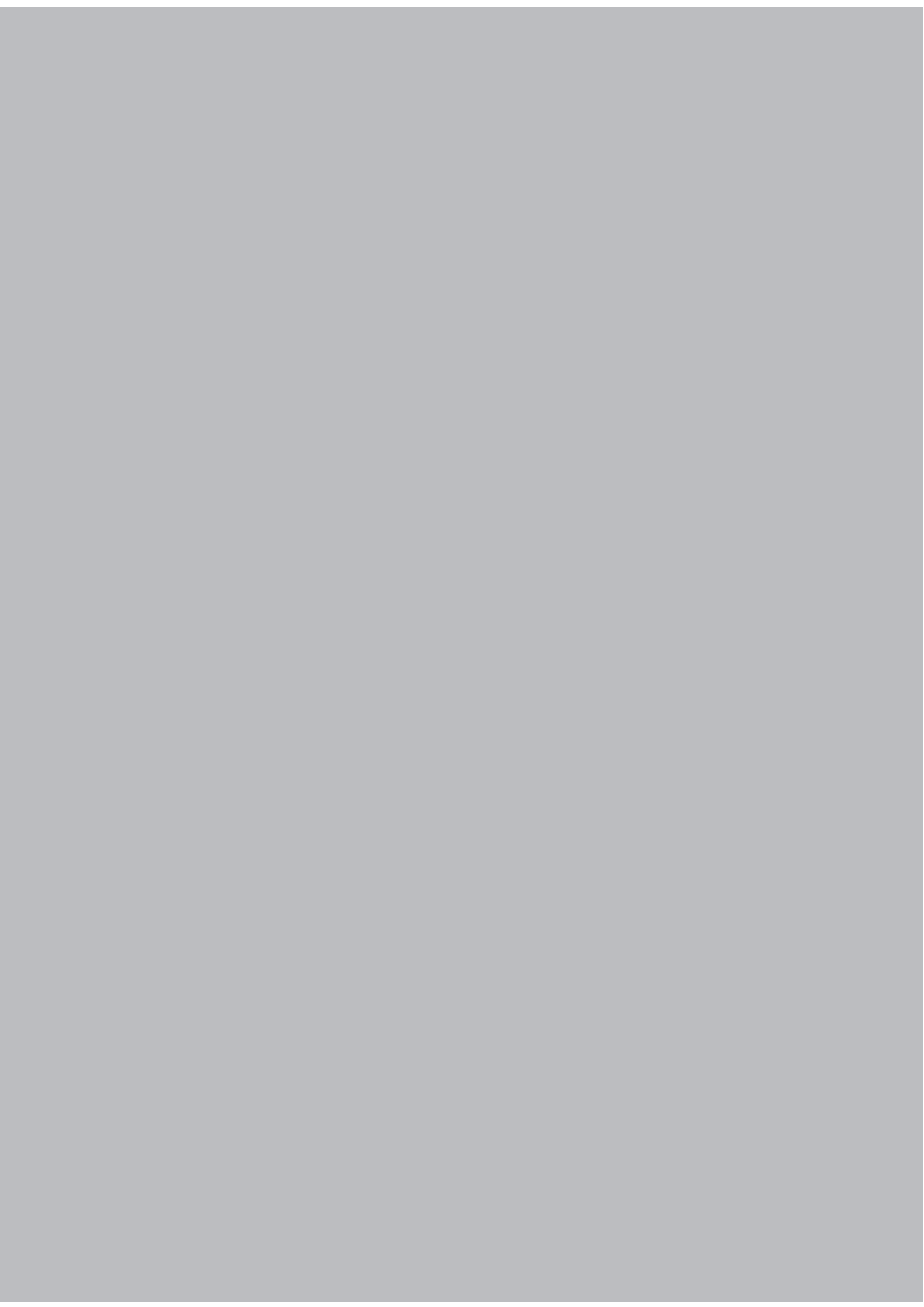
Balance Sheet

3. The increase between the 2006-07 Estimated Actual and the 2007-08 Budget reflects the receipt of the remainder of the sale proceeds for ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect.

Cash Flow Statement

4. See note 1 above.
5. See note 2 above.
6. This reflects the receipt of the sale proceeds for ENERGEX's electricity and gas retail businesses, the Allgas distribution network and the competitive parts of Ergon Energy's electricity retail business including Ergon Energy's subsidiary, Powerdirect, less stamp duty and associated sales costs.
7. This reflects withdrawals to agencies, ENERGEX and Ergon Energy, for expenditure on Queensland Future Growth Fund projects.







Queensland
Government

MINISTERIAL PORTFOLIO STATEMENT

2007–08 STATE BUDGET

**DEPUTY PREMIER, TREASURER AND MINISTER
FOR INFRASTRUCTURE**

DEPARTMENT OF INFRASTRUCTURE

Hon. Anna Bligh MP
Deputy Premier, Treasurer and
Minister For Infrastructure

Ken Smith
Coordinator-General and
Director-General

DEPARTMENTAL OVERVIEW

STRATEGIC ISSUES

The Queensland Government is facing unprecedented demand for social and economic infrastructure across the State. Population growth and changing demographics are affecting regional infrastructure planning and decisions on the provision of critical services such as water to support the rapidly expanding population and the worst drought in a century.

For more than a decade Queensland's economy has grown faster than the national average. Over the year to June 2006 an additional 76,400 people made Queensland their home. In December 2005, Queensland's population topped four million people, and the population continues to grow.

The high priority the Queensland Government has placed on the State's sustainable development and delivery of infrastructure is demonstrated by the creation of a Department of Infrastructure on 15 January 2007. The focus of the newly formed department is to optimise the benefits for Queenslanders through the delivery, planning, facilitation and coordination of major infrastructure projects across Queensland in consultation with the community.

Rising global population and sustained economic development in many countries means an increasing need for natural resources such as coal, bauxite, and base metals. Queensland has an abundance of natural resources which provides an outstanding investment climate for mine development, mineral processing and supporting infrastructure. Surging international demand for the State's resources requires greater concentration on export – focused infrastructure such as rail lines and ports.

Queensland's natural resources provide reliable energy at globally competitive prices. However, the energy sector is experiencing unprecedented growth due to lifestyle changes and new industrial development. Meeting this demand from fossil fuels is difficult given the need to limit greenhouse gas emissions. To maintain a competitive advantage in energy production we need to bolster gas resources and support new technologies that reduce global warming.

To further diversify the economic base and combat the cyclical demand for resources, it is important to establish relationships, and build partnerships with relevant stakeholders and encourage creativity and innovation. Sustainable development and the smart use of our natural resources is essential, as we continue to build the economy through improved telecommunications, tourism infrastructure and value-adding in the resources industry. The principles of sustainable development need to be carefully applied to planning the future mix of land use, including in particular, planning and preparing for adequate supplies of industrial land.

Another side-effect of the current strong economic growth is the load it places on industry and the challenges this presents for planning our infrastructure. Professional engineering and project management skills are in short supply as are many trades and technical services. The tightening of the labour market in the construction industry is forcing increased costs and affecting major projects within our infrastructure plans.

In response to these challenges and to optimise the benefits for Queenslanders, the Department of Infrastructure will take a lead role in major project delivery and infrastructure planning and coordination across Government. The Department's leadership role supports the goals of Smart Queensland, Smart State Strategy 2005-2015 and delivers on the Government's outcomes and priorities as it responds to the opportunities.

The Department of Infrastructure's role is to guide major resource and infrastructure projects to fruition and to ensure the timely delivery of both social and economic infrastructure in a way which is not only sustainable but which also delivers benefits to all Queenslanders.

In addition, the Department plays a vital role in encouraging the diversification of the Queensland economy by pursuing the Smart State ideals of capitalising on our unique strengths, establishing collaboration and promoting knowledge, creativity and innovation.

The Department's leadership role in aligning and coordinating major projects and infrastructure planning with delivery includes:

- leading and managing a Whole-of-Government strategy for major project developments and infrastructure policy planning, coordination and delivery
- providing government agencies with leadership advice and issues resolution on the broader impact of infrastructure and project development
- supporting project proponents through facilitation services and timely advice on major projects and infrastructure, and providing innovative solutions and value for money
- delivering a water infrastructure system to ensure a sustainable water supply for the future
- identifying value-adding opportunities for Queensland's resources, and promoting public and private investment in infrastructure to build and protect Queensland's competitive advantages
- identifying and developing land suitable for industrial development throughout Queensland
- coordinating regional and urban growth management through the South East Queensland Regional Plan and the South East Queensland Infrastructure Plan and Program and progressively applying these planning principles across the state.

2007-08 HIGHLIGHTS

Government has established a number of special purpose vehicles to provide rigorous governance, management and delivery of major infrastructure including the: Western Corridor Recycled Water Project; Southern Regional Water Pipeline; South East Queensland Desalination Plant; other key water infrastructure projects and the Airport Link toll road.

Western Corridor Recycled Water Project

Continuation of the design, construction and operation of the largest recycled water project in the southern hemisphere, including development of advanced water treatment plants and approximately 200km of pipeline as part of the Government's solution to secure South East Queensland's water supply future.

Southern Regional Water Pipeline

Substantial completion of design and construction of the 130 ML/day two-way Southern Regional Water Pipeline between Brisbane and the Gold Coast, including laying approximately 96km of pipeline and construction of ancillary work.

South East Queensland (Gold Coast) Desalination Plant

Continue construction of the 125 ML/day desalination plant at Tugun. The project demonstrates the Government's commitment, together with the Gold Coast City Council, to providing vital rainfall independent water infrastructure in South East Queensland and is on schedule to commence operations in November 2008.

Northern and Eastern Pipeline Interconnectors

Complete corridor assessment surveys, environmental and cultural heritage studies and geotechnical investigations to support preliminary engineering design work. Once these studies are complete, construction work will commence in 2007-08.

Traveston Crossing and other Water Storage Projects

Complete a draft environmental impact statement for the first stage of Traveston Crossing Dam, a critical stage in facilitating completion of the project by the end of 2011. Stage one involves the construction of a 153,000 ML storage delivering up to 70,000 ML/annum.

Further progress the Wyaralong Dam, the Cedar Grove Weir and the Bromelton off-stream storage, to meet expected water demands of the South East Queensland region. The proposed Wyaralong Dam and Cedar Grove Weir will yield 21,000 ML/annum, and Bromelton off-stream storage will have the capacity to deliver an additional yield of 5000 ML/annum.

Airport Link

Evaluate tenders for the 6.7km Airport Link toll road including sections of the Northern Busway.

Aurukun Mineral Resources Project

Following appointment of Aluminium Corporation of China (CHALCO) as preferred developer for the \$2.92 billion Aurukun Project and signing of the Development Agreement, the Department will conclude the Indigenous Land Use Agreement between CHALCO and the Traditional Owners of Aurukun land. The Department will then provide major project facilitation services to CHALCO as it undertakes the feasibility study for the bauxite mine and alumina refinery, including identification of the preferred refinery site.

South East Queensland Regional Plan

Work with local governments to prepare their Local Growth Management Strategies which demonstrate how each council will achieve dwelling targets established by the South East Queensland Regional Plan to accommodate growth. Finalise, coordinate and manage the roll-out of a number of key South East Queensland programs developed in 2006-07 including the South East Queensland Rural Futures Strategy, South East Queensland Regional Outdoor Recreation Strategy, the Queensland Housing Affordability Strategy and the proposed Traveston Crossing and Wyaralong Dam land use planning studies.

South East Queensland Infrastructure Plan and Program

Coordinate the implementation of the updated *South East Queensland Infrastructure Plan and Program 2007-2026* which outlines infrastructure development occurring over the next two decades, including major investments in road and public transport projects, water infrastructure, the energy network and social and community infrastructure. The 2007 South East Queensland Infrastructure Plan and Program incorporates a range of new projects and the revision of a number of existing projects.

Transit Oriented Development

Establish a Transit Oriented Development (TOD) Coordination Unit within the Office of Urban Management (OUM) to coordinate TOD policies and projects across State agencies and progress the delivery of demonstration projects.

DEPARTMENTAL OUTPUTS

The Department of Infrastructure, which includes the Coordinator-General responsibilities, was established on 15 January 2007, as a result of Machinery of Government changes. The current suite of outputs has been assumed from those of the Coordinator-General.

During 2007-08 performance measures will be reviewed to ensure the role and scope of work undertaken by the Department of Infrastructure is accurately captured and performance evaluated.

Infrastructure and Project Facilitation

The Infrastructure and Project Facilitation output provides the central coordinating role in the planning and development of infrastructure and major projects which lead the development of Queensland as a modern, forward-looking economy. It advances sustainable economic development projects to ensure the future business environment remains attractive to globally competitive developments. The activities of agencies delivering major state projects are coordinated through this output.

The output facilitates private sector investment in major projects and coordinates the provision of project specific infrastructure as well as state infrastructure to support economic development. In addition the output coordinates the delivery of regional and urban infrastructure in South East Queensland.

Urban Management for South East Queensland

The Urban Management for South East Queensland output is delivered by the Office of Urban Management, which is responsible for planning the sustainable management of growth in South East Queensland.

Reporting to the Deputy-Premier, who is recognised under the *Integrated Planning Act 1997* as the regional planning Minister, this output provides leadership and works in collaboration with state agencies, local government and other stakeholders to effectively plan for growth and infrastructure provision in South East Queensland, to maintain a high quality of life and facilitate sustainable development.

OUTPUT LINKAGES WITH GOVERNMENT OUTCOMES

The Department of Infrastructure takes the lead in major project procurement, delivery and infrastructure planning and coordination across government. By taking infrastructure and major projects from concept to completion it is building on the Government's Smart State vision.

Linkages between departmental outputs and Government Outcomes are summarised in the table below.

Output Name	Government Outcome/Strategic Governance
Infrastructure and Project Facilitation	Building Queensland's Economy
Urban Management for South East Queensland	Building Queensland's Economy

DEPARTMENTAL FINANCIAL SUMMARY

	2006-07 Adjusted Budget \$'000	2006-07 Est. Actual \$'000	2007-08 Estimate \$'000
CONTROLLED¹			
Income			
Output revenue	36,078	67,208	49,784
Own source revenue	8,837	13,827	5,253
Total income	44,915	81,035	55,037
Total expenses	44,915	83,765	57,767
Operating Surplus/ (Deficit)	..	(2,730)	(2,730)
NET ASSETS	167,360	623,425	250,109
ADMINISTERED¹			
Revenue			
Administered item revenue	4,715	16,166	15,619
Other administered revenue	..	..	..
Total revenue	4,715	16,166	15,619
Expenses			
Transfers of administered revenue to Government	..	..	..
Administered expenses	4,715	16,166	15,619
Total expenses	4,715	16,166	15,619
Note: 1. Explanations of variances are provided in the 'Explanation of Variances in the Financial Statements section and Output Income Statements.			

APPROPRIATIONS¹

	2006-07 Adjusted Budget \$'000	2007-08 Estimate \$'000
Controlled Items		
Departmental outputs	36,078	49,784
Equity adjustment	100,750	(133,816)
Administered Items	5,465	16,619
Vote Total²	142,293	(67,413)
Notes: 1. A reconciliation of appropriations to the Financial Statements follows the Financial Statements. 2. Vote total reflects the return to the State of equity provided in previous years to the Department for South East Queensland water projects which are being undertaken by special purpose vehicle companies that are directly financed through the Queensland Treasury Corporation.		

STAFFING¹

Output/Activity	Notes	2006-07 Est. Actual	2007-08 Estimate
OUTPUTS			
Infrastructure and Project Facilitation		184	189
Urban Management for South East Queensland		49	57
Total Outputs		233	246
BUSINESS UNITS			
Property Services Group		20	21
Total Business Units		20	21
Total		253	267
Note: 1. Full-Time Equivalents (FTEs) as at 30 June.			

2007-08 OUTPUT SUMMARY¹

Output	Total Cost \$'000	Sources of Revenue			
		Output Revenue \$'000	User Charges \$'000	C'wealth Revenue \$'000	Other Revenue \$'000
Infrastructure and Project Facilitation	46,744	38,761	..	..	5,253
Urban Management for South East Queensland	11,023	11,023	..	..	..
Total	57,767	49,784	..	..	5,253
Notes: 1. Explanations of variances are provided in the Financial Statements and Output Income Statements.					

OUTPUT PERFORMANCE

OUTPUT: **Infrastructure and Project Facilitation**

RELATED OUTCOME: **Building Queensland's Economy**

DESCRIPTION

This output provides the central coordinating role in the planning and delivery of infrastructure and major projects which lead the development of Queensland as a modern, forward-looking economy. It advances sustainable economic development projects to ensure the future business environment remains attractive to globally competitive developments. The activities of agencies delivering major state projects are coordinated through this output.

The output facilitates public and private sector investment in major projects and coordinates the provision of project specific and state infrastructure to support economic development.

The Department assists the Coordinator-General in his regulatory role in assessing and approving infrastructure projects as well as coordinating infrastructure growth management in South East Queensland.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant achievements and targets met during 2006-07 include:

- commenced construction of the Southern Regional Water Pipeline; the Western Corridor Recycled Water Project in the State Development Area between Bundamba and Swanbank; and the Gold Coast Desalination Plant
- finalised Environmental Impact Assessments for the Southern Regional Water Pipeline and facilitated the initial stages of the Environmental and Social Impact Study for the Western Corridor Recycled Water Project
- declared Traveston Crossing Dam, Wyaralong Dam, Northern Pipeline Interconnector and the raising of the Hinze Dam as “significant” projects
- progressed preliminary engineering and route selection work for the Northern and Eastern Pipeline Interconnector projects
- commenced planning for twelve regional water infrastructure projects which will support growth in the coal mining industry in the Bowen and Surat Basins, future industrial development at Bowen, Rockhampton and Gladstone and secure urban water supplies for Yeppoon and the Whitsundays
- progressed development of the Gladstone and Townsville State Development Areas including Stage 1 of the Gladstone Land Port Rail and Road Infrastructure Study

- commenced investigation work on the Bromelton Investigation Area for future development as a major industrial area
- commenced planning on the future major Western Corridor industrial area in Ipswich
- gained State approval for the Airport Link toll road business case and called for expressions of interest to deliver the project as a public private partnership and progressed assessment of the Environmental Impact Assessment
- appointed Aluminium Corporation of China (CHALCO) as preferred developer for the \$2.92 billion Aurukun Project and signed the Development Agreement and concluded the Indigenous Land Use Agreement between CHALCO and the Indigenous owners of Aurukun land
- facilitated development of: Clermont Coal Mine; Gateway Motorway Upgrade; Port of Hay Point Apron Areas and Departure Path Capital Dredging; and, North South Bypass Tunnel
- completed impact assessments and issued the Coordinator-General's Reports for: Moranbah Ammonium Nitrate Plant; Queensland Rail's 'Northern Missing Link' between Goonyella and Newlands; the Abbot Point Coal Terminal Stage 3; and, Spring Gully Power Station
- commenced the process to acquire land for the Stanwell to Gladstone infrastructure corridor
- continued to purchase properties in the Targinie Precinct of the Gladstone State Development Area
- undertook planning work for possible relocation of the Caloundra Aerodrome and for development of the Amberley Aerospace Park
- selected a preferred developer for the North Bank Development Project
- produced the Northern Economic Triangle blueprint, undertook stakeholder consultation for preparation of the Northern Economic Triangle Strategic Plan which includes investigations into competitive energy in the North West and Northern Regions, prepared the Townsville City Port Interface Strategy and facilitated preparation of the Townsville Port Master Plan, and initiated the Bowen Abbot Point Industrial Land and Infrastructure Study
- facilitated large marine developments such as Townsville Ocean Terminal, Urangan Boat Harbour and Brisbane Cruise Terminal/Portside Wharf
- secured the granting of a Conditional Exclusive Mandate to the Surat Basin Rail Consortium for the development of the Surat Basin Railway; coordinated implementation of the \$4.20 billion Coal Infrastructure Program of Actions and commenced the coal seam gas water market evaluation and regulatory assessment
- completed economic and environmental studies for the Fitzroy Industry and Infrastructure Study and commenced public consultation

- prepared a Strategic Infrastructure Plan for Australia TradeCoast
- established a program management information system to monitor delivery of the South East Queensland Infrastructure Plan and Program 2006 – 2026
- established the South East Queensland Infrastructure Industry Taskforce involving government, industry and unions to support the delivery of the South East Queensland Infrastructure Plan and Program
- released procurement and construction information to assist industry to deliver the South East Queensland Infrastructure Plan and Program, through a document titled “*Pipelines*”
- developed an inventory of 160 skills initiatives required to support delivery of the South East Queensland Infrastructure Plan and Program.

Future developments

Planned priorities for 2007-08 include:

- plan and further develop multi-user infrastructure corridors including the Western Corridor and Bromelton, water infrastructure corridors and weir sites
- construct the Cedar Grove Weir
- continue the construction of critical water projects including: the Western Corridor Recycled Water Scheme; the Southern Regional Water Pipeline; and, the Gold Coast Desalination Plant
- develop the draft Environmental Impact Studies and undertake preconstruction activities and land acquisition for the Traveston Crossing and Wyaralong dams
- advance the Northern and Eastern Interconnector pipeline projects, including the development of preferred alignments and the commencement of detailed design and construction of the projects
- facilitate delivery of the regional water projects outlined in the State Wide Water Policy
- call for and evaluate tenders for the Airport Link toll road and nominate successful tenderer(s)
- coordinate the impact assessments for projects such as: Townsville Ocean Terminal; Wiggins Island Coal Terminal; ZeroGen Clean Coal Power Demonstration Project; the Surat Basin Railway (‘Southern Missing Link’) and Wandoan Project; Central Queensland (Moranbah to Gladstone) Gas Pipeline; Moranbah and Nebo Power Stations Project; Tarong Northern Land Ash Emplacement; Townsville Power Station; expansion of the Australia Zoo tourist wildlife park; Fisherman’s Landing expansion; Gladstone Pacific Nickel Project; North East Business Park; Pinkenba Ethanol Bio-Refinery; Emu Swamp Dam; Water for Bowen Project; Ella Bay Integrated Resort; Hummock Hill Island Development, Gold Coast Marine Development and Shute Harbour Marina

- continue to plan and further develop State Development Areas and multi-user infrastructure corridors for future industrial development including the Gladstone and Townsville State Development Areas, and the Stanwell to Gladstone Infrastructure Corridor and Bromelton
- continue to monitor delivery progress of the South East Queensland Infrastructure Plan and Program, provide appropriate advice, and develop new mechanisms to assist delivery including a Gateway Review Process
- continue support for the South East Queensland Infrastructure Industry Taskforce and its three key mandate areas of procurement, industry capacity and skills
- undertake negotiations with the selected preferred developer for the North Bank Development Project to achieve a development agreement
- facilitate delivery of the Northern Economic Triangle Strategic Plan including competitive power to the North West and North Queensland and complete the Bowen Abbot Point Industrial Land and Infrastructure Study
- complete a 30 year Coal Infrastructure Strategic Plan and continue to coordinate implementation of Coal Infrastructure Program of Actions, Surat Basin Railway and complete coal seam gas water market evaluation and regulatory assessment
- undertake a competitive process for the Gold Coast Marine Development Project and facilitate approvals for the Townsville Ocean Terminal project
- seek to appoint a preferred developer for Urangan Boat Harbour Project and progress negotiations towards achieving a development agreement
- finalise the Fitzroy Infrastructure and Industry Study.

OUTPUT STATEMENT

Output: Infrastructure and Project Facilitation				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Area of land secured for economic development (hectares)	1	40	4300	4000
Number of major projects coordinated:				
- Proposed projects		22	23	20
- Committed projects		20	20	24
Estimated capital value of major projects coordinated:				
- Proposed projects	2	\$9.50 billion	\$19.70 billion	\$10.80 billion
- Committed projects	3	\$9.50 billion	\$14.34 billion	\$18.00 billion
Number of economic development infrastructure and major land use planning projects being developed	4	57	62	50
Number of major private sector infrastructure project proposals being evaluated or facilitated		25	22	21
Quality				
% of satisfaction ratings greater than or equal to 3 (on a 1 to 5 scale) with infrastructure planning services		90%	93%	90%
Estimated number of jobs generated:				
- Proposed projects	5	10,000	18,820	9,600
- Committed projects	6	10,000	11,870	19,000
Timeliness				
% of committed major projects on schedule to agreed milestones		90%	90%	90%
Location				
% of area of land secured for economic development located in regional Queensland		90%	100%	100%
% of major land use planning projects and studies located in regional Queensland		88%	70%	79%
% of estimated number of jobs generated by projects located in regional Queensland		77%	74%	74%
State Contribution (\$'000)	7	30,530	59,049	38,761
Other Revenue (\$'000)	7	8,837	13,817	5,253
Total Cost (\$'000)	7	39,367	75,596	46,744

Output: Infrastructure and Project Facilitation

Notes:

1. Planning is well advanced in relation to 4300 hectares for a proposed State Development Area at Bromelton .
2. The estimated actual in 2006-07 is higher than anticipated due to the increased capital value of proposed projects.
3. The estimated actual in 2006-07 is higher than anticipated due to the individual capital value of committed projects.
4. The construction of the Water Grid in South East Queensland has resulted in an increase in the number of infrastructure development and planning projects being developed.
5. The estimated actual in 2006-07 is higher than anticipated due to the number of jobs associated with each proposed project.
6. The estimated actual in 2006-07 is higher than anticipated due to the number of jobs associated with each committed project.
7. Refer to the Output Income Statement – Infrastructure and Project Facilitation on page 4-14.

Output Income Statement – Infrastructure and Project Facilitation

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue	1	30,530	59,049	38,761
User charges		..	289	..
Grants and other contributions	2	8,837	13,408	4,962
Other Revenue		..	120	291
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		39,367	72,866	44,014
Expenses				
Employee expenses	3	11,579	16,146	18,169
Supplies and services	4	27,166	52,699	21,938
Grants and subsidies	5	500	3,891	3,754
Depreciation and amortisation		122	271	260
Finance/borrowing costs		..	..	..
Other expenses		..	89	123
Losses on sale/revaluation of property, plant and equipment and investments	6	..	2,500	2,500
Total expenses		39,367	75,596	46,744
OPERATING SURPLUS/ (DEFICIT)	7	..	(2,730)	(2,730)

Notes:

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

1. Funding for the Aurukun tender process, North Bank tender and evaluation process, Water for Bowen initiatives, Community Futures Taskforce, South East Queensland water infrastructure projects and staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department.
2. Funding for projects including Project Vista, land planning and precinct planning and development.
3. Land planning costs, staffing of the Community Futures Taskforce and staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department.
4. Includes contractor, legal and administrative costs related to new or expanded projects and programs including Project Vista, Community Futures Taskforce, Water for Bowen initiatives, North Bank tender and evaluation process, Aurukun tender process and precinct planning and development.
5. Includes funding for Water for Bowen initiatives and Burnett Program of Actions.
6. Recognition of impairment losses on properties held in the Targinie Precinct.
7. Operating deficit due to the recognition of impairment losses on properties held in the Targinie Precinct.

Major variations between 2006-07 Budget and 2007-08 Estimate include:

1. Funding for South East Queensland water infrastructure projects, the Community Futures Taskforce, Burnett Program of Actions, Burdekin Dam to SEQ pipeline investigations, preliminary work on Nullinga Dam and Kinchant Dam, additional funding as a result of enterprise bargaining staffing cost increases offset by finalisation of funding for programs including the relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal and Connors River Dam investigations.
2. Reflects the finalisation of funding for projects including the Coal Taskforce in 2006-07.
3. Staffing of the Community Futures Taskforce, staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department and salary cost increases as a result of enterprise bargaining.
4. Finalisation of funding for programs in 2006-07 including the relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal and Connors River Dam investigations.
5. Funding for the Burnett Program of Actions.
6. Recognition of impairment losses on properties held in the Targinie Precinct.
7. Operating deficit due to the recognition of impairment losses on properties held in the Targinie Precinct.

Further detail of these adjustments is contained in the 'Explanation of Variances in the Financial Statements' section.

OUTPUT PERFORMANCE

OUTPUT: **Urban Management for South East Queensland**

RELATED OUTCOME: Building Queensland's Economy

DESCRIPTION

The Urban Management for South East Queensland output, which represents the work undertaken in regional planning, urban management and infrastructure coordination activities in South East Queensland (SEQ) is delivered by the Office of Urban Management (OUM), Department of Infrastructure.

The OUM works collaboratively with state agencies, local governments and other stakeholders to sustainably manage growth in the region. Guiding this work, the OUM is responsible for developing, coordinating the implementation of, and monitoring the SEQ Regional Plan. Designed to manage growth in the region through to 2026, this plan is the first of its kind in Australia. It protects more than 80 per cent of the region from future urban development - ensuring SEQ remains one of the most livable urbanised areas in the world, while catering for strong population growth and future prosperity. The SEQ Regional Plan will be reviewed every five years with the 2010 review to commence in 2008.

The Department of Infrastructure is also responsible for developing and coordinating the implementation of the SEQ Infrastructure Plan and Program. The Infrastructure Plan first launched in 2005 identifies the main infrastructure priorities for SEQ over the next 20 years and it details proposed investigations, planning, design and construction over the period in order to implement the SEQ Regional Plan.

The Infrastructure Plan is updated annually in line with the State Budget to ensure it remains on track and relevant to the region's needs.

REVIEW OF OUTPUT PERFORMANCE

Recent achievements

Significant achievements and targets met during 2006-07 include:

- established a program and process to work with local governments to ensure planning schemes in SEQ are aligned with the SEQ Regional Plan
- worked with all local governments of SEQ to assist in the preparation of their Local Growth Management Strategies (LGMSs) using the LGMS checklist, prepared late 2006, and coordinated feedback on three LGMSs submitted for state agency review
- worked with state agencies to review current Queensland Government policies, which need to be amended or developed in order to implement the SEQ Regional Plan
- incorporated the report on the Mt Lindesay/North Beaudesert Study Area into the SEQ Regional Plan by releasing Amendment 1 on 31 October 2006, after extensive public consultation. Amendment 1 was ratified by Parliament on 7 March 2007

- progressed work on the study into the Investigation Area site located at Bridges on the Sunshine Coast and in March 2007 announced the broadening of the scope of the study to investigate alternative sites for industrial land on the Sunshine Coast
- developed Terms of References specific to four Investigation Area sites to accommodate significant differences in terms of proposed use, site characteristics and assessment criteria
- three quarterly Urban Development Monitoring Reports, monitoring development trends and land availability in SEQ, with the 2006 annual report released in May 2007
- developed plans for a Queensland Housing Affordability Strategy to address land availability and factors affecting the cost of housing, and provided assistance to the Housing Affordability Committee chaired by the Director-General of the Department of Infrastructure
- released the Draft Implementation Guidelines for Rural Precinct Planning for stakeholder consultation which will be finalised late 2007
- worked with the Rural Futures Committee, to prepare the Rural Futures Strategy and the Rural Precinct Planning guidelines
- worked with the Transit Oriented Development (TOD) Taskforce, to implement the TOD program in SEQ and to identify and progress TOD demonstration projects
- convened the inaugural urban development conference “Living Smarter: For the future of South East Queensland” – focusing on TODs, which attracted 350 delegates from local government, state agencies and the private industry
- worked with local governments, Department of Local Government Planning Sport and Recreation and the community on land use planning studies for the areas affected by the proposed Traveston Crossing Dam and Wyaralong Dam
- collaborated with Queensland Treasury to develop a draft policy on State Infrastructure Agreements
- finalised and released the Social Infrastructure Planning Guidelines for SEQ which provide tools to assist local government, State, community and private agencies to undertake social infrastructure planning to ensure efficient and consistent delivery of regional planning outcomes throughout SEQ
- continued to work with state agencies, local governments and community groups to progress open space planning including a review of constraints on use of rural lands for tourism and recreation
- released the SEQ Regional Outdoor Recreation Strategy Discussion Paper to seek public feedback on the strategy which will provide the framework for how outdoor recreation services and infrastructure will be provided in the future
- released an updated SEQ Outdoor Recreation Demand Survey 2007 in partnership with Department of Local Government Planning Sport and Recreation

- progressed the implementation of the SEQ Regional Trails Strategy, committing \$8.8 million of funding over five years commencing 2007-08 to develop and implement three regional recreation trails as part of the SEQ Regional Trails Strategy and commenced work with the Council of Mayors (SEQ) to manage development of the trails
- finalised the State of Region Baseline Report incorporating a range of sustainability indicators in partnership with the Environmental Protection Agency
- undertook a series of sub-regional planning and infrastructure forums across SEQ to better coordinate state and local government planning and infrastructure provision
- coordinated implementation of the SEQ Regional Plan, and reported on progress to the Regional Coordination Committee
- provided development assessment advice to local governments and private sector and assessed 80 development applications
- released the updated SEQ Infrastructure Plan and Program in May 2007 and worked with state agencies and the private sector to monitor implementation of the Plan
- released guidelines to assist local government in incorporating social infrastructure requirements into planning activities, especially LGMS and structure planning
- released an advisory paper to provide guidance to local government on the preparation of Urban Open Space Strategies as part of LGMSs
- released guidelines to assist local government to incorporate best practice urban storm water management in new urban developments as part of an overall Water Sensitive Urban Design approach in partnership with Healthy Waterways
- released guidelines to assist with the identification of areas of high scenic amenity in SEQ to facilitate improved planning outcomes
- developed Terms of References specific to four Investigation Area Sites to accommodate significant differences in terms of proposed use, site characteristics and assessment criteria.

Future developments

Planned priorities for 2007-08 include:

- lead the planning and implementation of the TOD program for SEQ, including working with the TOD Taskforce to continue identification and investigation of potential TOD demonstration sites and examine mechanisms to implement priority TODs for the region, including new institutional arrangements
- progress work on the Rural Futures Strategy which will assess the issues confronting rural industries and rural land owners in the region and examine viable existing industries and consider alternative land use option

- develop individual Terms of References for four additional Investigation Area sites to outline the general issues to be considered and the process to be followed when investigating areas for potential future development
- release the 2006 results of the Urban Development Monitoring Program in mid 2007 and progressively release quarterly reports for 2007
- continue to work with local governments of the region to assist in developing their LGMS and relevant structure plans and progress work on planning for regional activity centres
- undertake further studies into a number of Investigation Area sites across SEQ, including Southern Redland Bay, Purga, Bromelton and Steiglitz
- continue to work with Queensland Water Commission to assist in the release of the SEQ Regional Water Supply Strategy, due for completion by December 2007
- continue to provide development assessment advice to implement the SEQ Regional Plan, including assessing development applications as a concurrence agency
- continue to work with state agencies to review and finalise new institutional and planning arrangements for integrated waterways and natural resource management in SEQ
- undertake annual updates and regular reviews of the SEQ Infrastructure Plan and Program
- continue to work with Regional Landscape and Open Space Advisory Committee to progress a new SEQ Regional Landscape Strategy
- finalise and release the Draft SEQ Regional Outdoor Recreation Strategy to enable coordinated delivery and management of outdoor recreation services and infrastructure by September 2007
- commence initial planning studies for SEQ Regional Plan review which is to be completed June 2010
- progress the outcomes of the proposed Queensland Housing Affordability Strategy which will be developed by mid 2007
- coordinate an integrated planning study for the Rocky Point/Steiglitz area
- undertake a planning study for relocation of the Caloundra Airport
- assist local governments to prepare structure plans for Major Development Areas declared under the SEQ Regional Plan.

OUTPUT STATEMENT

Output: Urban Management for South East Queensland				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Quantity				
Number of Regional Coordination Committee (RCC) meetings held per year		4	4	4
Number of sub-regional planning and infrastructure forums per year		10	10	10
Number of Regional Landscape and Open Space Committee meetings held per year		6	6	6
Quality				
Key stakeholder satisfaction with the quality of implementation processes		70%	70%	75%
Timeliness				
Concurrence agency requests processed within required timeframes		100%	100%	100%
Produce an updated SEQ Infrastructure Plan and Program	1	May 2007	May 2007	May 2008
State Contribution (\$'000)	2	5,548	8,159	11,023
Other Revenue (\$'000)	2	..	10	..
Total Cost (\$'000)	2	5,548	8,169	11,023
Notes:				
1. The SEQ infrastructure Plan and Program is updated and released on a regular basis.				
2. Refer to the Output Income Statement - Urban Management for South East Queensland on page 4-20.				

Output Income Statement – Urban Management for South East Queensland

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue	1	5,548	8,159	11,023
User charges		..	10	..
Grants and other contributions		..	..	..
Other Revenue		..	..	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		5,548	8,169	11,023
Expenses				
Employee expenses	2	2,447	3,134	4,624
Supplies and services	3	2,763	4,921	4,685
Grants and subsidies	4	159	88	1,688
Depreciation and amortisation		11	15	15
Finance/borrowing costs		..	..	..
Other expenses		168	11	11
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		5,548	8,169	11,023
OPERATING SURPLUS/ (DEFICIT)		..	..	..

Notes:

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

1. Funding for projects such as Outdoor Recreation Strategy, Local Growth Management Strategy (LGMS) Preparation for rural councils, Structure Plans, Investigation areas (eg. Bridges), Land and Housing monitoring program and the advancement of TOD projects.
2. Additional service delivery staff required due to increased activities undertaken by the Office of Urban Management.
3. Contractor and other costs for projects such as Outdoor Recreation Strategy, LGMS Preparation for rural councils, Structure Plans, Investigation areas (eg. Bridges), Land and Housing monitoring program and the advancement of TOD projects.

Major variations between 2006-07 Budget and 2007-08 Estimate include:

1. Funding for regional recreation trails, to establish a Transit Oriented Development (TOD) Coordination Unit to coordinate TOD policies and projects across State agencies and progress the first stages of the demonstration projects and staffing costs related to enterprise bargaining.
2. Creation of the TOD Coordination Unit and costs related to enterprise bargaining.
3. Creation of the TOD Coordination Unit.
4. Commencement of expenditure on regional recreational trails.

Further detail of these adjustments is contained in the 'Explanation of Variances in the Financial Statements' section.

RECONCILIATION OF OUTPUT STATEMENTS TO DEPARTMENTAL FINANCIAL STATEMENTS

On 15 January 2007 a Departmental Arrangement Notice created the Department of Infrastructure and merged the Office of the Coordinator-General into the newly created Department. Accordingly, the Output Income Statements, Capital Acquisition Statement and Departmental Financial Statements refer to the 2006-07 Adjusted Budget.

On 1 October 2006 Machinery of Government changes resulted in the transfer of certain functions from the Department of Natural Resources and Water to a new Statutory Authority, the Queensland Water Commission. Accordingly, the 2006-07 Adjusted Budget in the Administered Income Statement, Balance Sheet and Cash Flow Statement reflects nine months of activity relating to the transferred function.

ADMINISTERED ITEMS

DESCRIPTION

Significant administered items are:

Queensland Water Commission

In 2007-08, \$16.6 million is provided to the Queensland Water Commission on behalf of Government. Refer to relevant section of the Ministerial Portfolio Statement covering the Queensland Water Commission.

Brisbane Cruise Terminal

The Brisbane Cruise Terminal is the centrepiece of the integrated residential and retail development undertaken by Multiplex Constructions Pty Ltd on land currently owned by the Queensland Government at Hamilton.

Financial Statements in relation to Administered Items appear on pages 4-29 to 4-31 of this document.

CAPITAL ACQUISITIONS

Government has established a number of special purpose vehicles to deliver major infrastructure projects including the South East Queensland water grid and the Airport Link toll road. Therefore, the costs associated with these projects are not shown in the Department's Capital Acquisition statement but are shown in the Infrastructure section of Budget Paper 3.

In 2007-08, the majority of the Department's Capital Acquisitions relate to land acquisitions for the Townsville State Development Area.

CAPITAL ACQUISITION STATEMENT

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
<u>PROPERTY PLANT AND EQUIPMENT</u>				
Property Plant and Equipment				
- Targinie Precinct		5,500	3,935	..
- Hardrock Haulage Roads		6,500	16,301	..
- Townsville State Development Area	1	7,500	1,200	6,300
- Western Corridor Recycled Water Project	2	100,000	..	..
Other acquisitions of property, plant and equipment		883	91	45
TOTAL PROPERTY PLANT AND EQUIPMENT		120,383	21,527	6,345
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other Capital Acquisitions				
	
Other Items				
	
TOTAL OTHER CAPITAL ACQUISITIONS		..	..	..
TOTAL CAPITAL ACQUISITIONS		120,383	21,527	6,345
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity Adjustment	3	100,750	567,001	(132,816)
Funding for depreciation and amortisation		133	286	275
Borrowings		..	..	..
Proceeds of asset sales		..	..	..
Other	4	19,500	(545,760)	138,886
TOTAL FUNDING SOURCES		120,383	21,527	6,345
Notes:				
Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:				
1. Reflects a delay in the acquisition of land.				
2. Delivery of major South East Queensland water infrastructure projects is now being undertaken by special purpose vehicle companies.				
3. Reflects interim financing arrangements for the special purpose vehicle companies procuring and/or delivering South East Queensland water infrastructure projects and Airport Link.				
4. Reflects interim financing arrangements for the special purpose vehicle companies procuring and/or delivering South East Queensland water infrastructure projects and Airport Link and the revised estimates of land purchases in the Targinie Precinct, the Townsville State Development Area and for Hardrock Haulage Roads.				
Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:				
1. Land purchases will be finalised in 2007-08.				
2. Delivery of major South East Queensland water infrastructure projects is now being undertaken by special purpose vehicle companies.				
3. Reflects interim financing arrangements for the special purpose vehicle companies procuring and/or delivering South East Queensland water infrastructure projects and Airport Link.				
4. Reflects interim financing arrangements for the special purpose vehicle companies procuring and/or delivering South East Queensland water infrastructure projects and Airport Link and the revised estimates of land purchases in the Townsville State Development Area and for Hardrock Haulage Roads.				

**DEPARTMENTAL
FINANCIAL
STATEMENTS**

INCOME STATEMENT

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
Output revenue	1	36,078	67,208	49,784
User charges		..	299	..
Grants and other contributions	2	8,837	13,408	4,962
Other revenue		..	120	291
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		44,915	81,035	55,037
Expenses				
Employee expenses	3	14,026	19,280	22,793
Supplies and services	4	29,929	57,620	26,623
Grants and subsidies	5	659	3,979	5,442
Depreciation and amortisation		133	286	275
Finance/borrowing costs		..	..	..
Other expenses		168	100	134
Losses on sale/revaluation of property, plant and equipment and investments	6	..	2,500	2,500
Total expenses		44,915	83,765	57,767
OPERATING SURPLUS / (DEFICIT)		..	(2,730)	(2,730)

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Net effect of the adoption of a new accounting standard	
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		..	(2,730)	(2,730)
Total recognised income and expense for the period		..	(2,730)	(2,730)
Equity injection/ (withdrawal)		114,000	579,121	(370,586)
Equity adjustments (MoG transfers)		31	31	..
Total movement in equity for period		114,031	576,422	(373,316)

BALANCE SHEET

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	7	732	31,930	13,447
Receivables	8	..	410,798	15,598
Inventories		..	..	..
Other	9	9	2,389	2,389
Non-financial assets held for sale		..	..	..
Total current assets		741	445,117	31,434
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets	10	..	163,786	188,400
Property, plant and equipment	11	168,073	61,388	64,958
Intangibles		..	800	800
Other		..	..	..
Total non-current assets		168,073	225,974	254,158
TOTAL ASSETS		168,814	671,091	285,592
CURRENT LIABILITIES				
Payables	12	..	25,504	25,504
Employee benefit obligations		1,080	1,470	1,470
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other	13	374	20,258	8,075
Total current liabilities		1,454	47,232	35,049
NON-CURRENT LIABILITIES				
Payables		..	..	..
Employee benefit obligations		..	434	434
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		..	434	434
TOTAL LIABILITIES		1,454	47,666	35,483
NET ASSETS/ (LIABILITIES)		167,360	623,425	250,109
EQUITY				
Capital/contributed equity	14	167,360	627,175	256,589
Retained surplus/(accumulated deficit)	15	..	(3,750)	(6,480)
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		167,360	623,425	250,109

CASH FLOW STATEMENT

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Output receipts	16	36,078	70,139	49,784
User charges	17	..	(62,518)	62,817
Grants and other contributions	18	8,837	13,408	4,962
Other		..	120	291
Outflows:				
Employee costs	19	(14,026)	(19,280)	(22,793)
Supplies and services	20	(29,929)	(56,716)	(26,623)
Grants and subsidies	21	(659)	(3,979)	(5,442)
Borrowing costs		..	..	..
Other		(168)	(100)	(134)
Net cash provided by/ (used in) operating activities		133	(58,926)	62,862
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed	22	..	..	22,000
Loans and advances redeemed	22	..	..	413,000
Outflows:				
Payments for property, plant and equipment and intangibles	23	(114,133)	(21,527)	(6,345)
Payments for investments	24	..	(163,786)	(46,614)
Loans and advances made	25	..	(320,200)	(92,800)
Net cash provided by/ (used in) investing activities		(114,133)	(505,513)	289,241
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	26	114,000	936,851	588,184
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	27	..	(357,730)	(958,770)
Net cash provided by/ (used in) financing activities		114,000	579,121	(370,586)
Net Increase/ (decrease) in cash held		..	14,682	(18,483)
Cash at the beginning of financial year		743	17,259	31,930
Cash transfers from restructure		(11)	(11)	..
Cash at the end of financial year		732	31,930	13,447

INCOME STATEMENT

EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Revenues				
Commonwealth grants		..	..	..
Taxes, fees and fines		..	..	..
Royalties, property income and other territorial revenue		..	..	..
Interest		..	..	..
Administered item revenue	28	4,715	16,166	15,619
Other		..	..	..
Total revenues		4,715	16,166	15,619
Expenses				
Supplies and services	28	4,715	..	..
Depreciation and amortisation		..	..	..
Grants and subsidies	28	..	16,166	15,619
Benefit payments		..	..	..
Borrowing costs		..	..	..
Other		..	..	..
Total expenses		4,715	16,166	15,619
Net surplus or deficit before transfers to Government		..	..	..
Transfers of Administered Revenue to Government		..	..	..
OPERATING SURPLUS/ (DEFICIT)		..	..	..

BALANCE SHEET

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets		..	1,001	1,001
Receivables		..	..	..
Inventories		..	..	..
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		..	1,001	1,001
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment	29	115,910	8,795	8,795
Intangibles		..	..	..
Other		..	..	..
Total non-current assets		115,910	8,795	8,795
TOTAL ADMINISTERED ASSETS		115,910	9,796	9,796
CURRENT LIABILITIES				
Payables		..	..	..
Transfers to Government payable		..	..	..
Interest-bearing liabilities		..	..	..
Other		..	..	..
Total current liabilities		..	..	..
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities		..	1,000	1,000
Other		..	..	..
Total non-current liabilities		..	1,000	1,000
TOTAL ADMINISTERED LIABILITIES		..	1,000	1,000
ADMINISTERED NET ASSETS/ (LIABILITIES)		115,910	8,796	8,796
EQUITY				
Capital/contributed equity	29	116,067	..	..
Retained surplus/(accumulated deficit)	30	(157)	8,796	8,796
Reserves:				
– Asset revaluation reserve		..	..	..
– Other		..	..	..
TOTAL ADMINISTERED EQUITY		115,910	8,796	8,796

CASH FLOW STATEMENT

CASH FLOWS ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Administered item receipts	31	4,715	16,166	15,619
Grants and other contributions		..	..	..
Taxes, fees and fines		..	..	..
Royalties, property income and other territorial revenues		..	..	..
Other		..	..	..
Outflows:				
Transfers to Government		..	..	..
Grants and subsidies	31	..	(16,166)	(15,619)
Supplies and services	31	(4,715)	..	..
Borrowing costs		..	..	..
Other		..	..	..
Net cash provided by/ (used in) operating activities		..	..	..
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payment for property, plant and equipment and intangibles		(750)	..	..
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/ (used in) investing activities		(750)	..	..
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections		750	750	1,000
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals		..	(750)	(1,000)
Net cash provided by/ (used in) financing activities		750	..	..
Net increase/ (decrease) in cash held		..	..	..
Administered cash at beginning of financial year		..	1,001	1,001
Cash transfers from restructure		..	..	..
Administered cash at end of financial year		..	1,001	1,001

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:

1. Funding for the Aurukun tender process, North Bank tender and evaluation process, Water for Bowen initiatives, Community Futures Taskforce, South East Queensland water infrastructure and staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department.
2. Funding for projects including Project Vista, land planning and precinct planning and development.
3. Land planning costs, staffing of the Community Futures Taskforce and staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department.
4. Includes contractor, legal and administrative costs related to new or expanded projects and programs including Project Vista, Community Futures Taskforce, Water for Bowen initiatives, North Bank tender and evaluation process, Aurukun tender process and precinct planning and development.
5. Includes funding for Water for Bowen initiatives and Burnett Program of Actions.
6. Recognition of impairment losses on properties held in the Targinie Precinct.

Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:

1. Funding for regional recreational trails, creation of the Transit Oriented Development (TOD) Coordination Unit to coordinate TOD policies and projects across State agencies and progress the first stages of the Bowen Hills and Woolloongabba TODs, South East Queensland water infrastructure, Community Futures Taskforce, Burnett Program of Actions, Burdekin Dam to SEQ pipeline investigations, preliminary work on Nullinga Dam and Kinchant Dam, additional funding as a result of enterprise bargaining staffing cost increases offset by finalisation of funding for programs including the relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal and Connors River Dam investigations.
2. Reflects the finalisation of funding for projects including the Coal Taskforce in 2006-07.
3. Staffing of the Community Futures Taskforce, staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department and salary cost increases as a result of enterprise bargaining.
4. Finalisation of funding for programs in 2006-07 including the relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal and Connors River Dam investigations.
5. Funding for regional recreational trails and Burnett Program of Actions.
6. Recognition of impairment losses on properties held in the Targinie Precinct.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

1. Finalisation of funding for a number of programs including the Aurukun tender process, North Bank tender and evaluation process, relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal, Connors River Dam investigations, Water for Bowen initiatives and the water recycling initiative offset by new or increased funding for regional recreational trails, creation of the TOD Coordination Unit to coordinate TOD policies and projects across State agencies and progress the first stages of the Bowen Hills and Woolloongabba TODs, Burdekin Dam to SEQ pipeline investigations, preliminary work on Nullinga Dam and Kinchant Dam and additional funding as a result of enterprise bargaining staffing cost increases.
2. Reflects the finalisation of funding for projects including the Coal Taskforce and Project Vista in 2006-07.
3. Funding for salary cost increases as a result of enterprise bargaining.
4. Finalisation of funding for a number of programs in 2006-07 including the Aurukun tender process, North Bank tender and evaluation process, relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal, Connors River Dam investigations, Water for Bowen initiatives offset by new or increased funding for the creation of the TOD Coordination Unit, Burdekin Dam to SEQ pipeline investigations and preliminary work on Nullinga Dam and Kinchant Dam.
5. Funding for regional recreational trails.

Balance Sheet

Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:

7. Bank account balance reflects the 2006-07 financial statements and funds for land acquisitions in the Townsville State Development Area received in 2006-07 that will be expended in 2007-08.
8. Reflects financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and receivables related to the provision of pipes.
9. Prepayments as per 2006-07 financial statements decreased by Targinie Precinct land purchases in 2006-07.
10. Purchase of the majority of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd.
11. Delivery of major South East Queensland water infrastructure projects, including the Western Corridor Recycled Water project, is now being undertaken by special purpose vehicle companies, partially offset by land purchases related to hardrock haulage roads, Townsville State Development Area and the Targinie precinct.
12. Reflects the balance of payables in the 2006-07 financial statements.
13. Reflects the balance of unearned revenue in the 2006-07 financial statements, as well as funds paid by Chalco for the State's intellectual property relating to the Aurukun project.
14. Funding for the purchase of the majority of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd, financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd, funding for the provision of pipes to special purpose vehicle companies and funding for land purchases related to hardrock haulage roads, Townsville State Development Area and the Targinie precinct partially offset by the delivery of major South East Queensland water infrastructure projects, including the Western Corridor Recycled Water project, now being undertaken by special purpose vehicle companies.
15. Accumulated deficit mainly resulting from recognition of impairment losses on properties held in the Targinie Precinct.

Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:

7. Bank account balance reflects the 2006-07 financial statements and funds for land acquisitions in the Townsville State Development Area received in 2006-07 that will be expended in 2007-08.
8. Reflects receivables balance in 2005-06 financial statements.
9. Prepayments as per 2006-07 financial statements decreased by Targinie Precinct land purchases in 2006-07.
10. Purchase of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd.
11. Delivery of major South East Queensland water infrastructure projects, including the Western Corridor Recycled Water project, is now being undertaken by special purpose vehicle companies, partially offset by land purchases in the Townsville State Development Area.
12. Reflects the balance of payables in the 2005-06 financial statements.
13. Reflects the balance of unearned revenue in the 2005-06 financial statements.
14. Purchase of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd, land purchases in the Townsville State Development Area.
15. Accumulated deficit mainly resulting from recognition of impairment losses on properties held in the Targinie Precinct.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

7. Funds for land acquisitions received in 2006-07 that will be expended in 2007-08.
8. Financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and receivables related to the provision of pipes both finalised in 2007-08.
10. Purchase of the final component of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd.
13. The Department will no longer hold the funds paid by Chalco for the State's intellectual property relating to the Aurukun project.
14. Finalisation of one-off projects occurring in 2006-07 including the purchase of the majority of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd, financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and receivables related to the provision of pipes both finalised in 2007-08.
15. Accumulated deficit mainly resulting from recognition of impairment losses on properties held in the Targinie Precinct.

Cash Flow Statement

Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:

16. Funding for the Aurukun tender process, North Bank tender and evaluation process, Water for Bowen initiatives, Community Futures Taskforce, South East Queensland water infrastructure and staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department.
17. Funds paid by Chalco for the State's intellectual property relating to the Aurukun project, offset by receivables related to the provision of pipes.
18. Funding for projects including Project Vista, land planning and precinct planning and development.
19. Land planning costs, staffing of the Community Futures Taskforce and staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department.
20. Includes contractor, legal and administrative costs related to new or expanded projects and programs including Project Vista, Community Futures Taskforce, Water for Bowen initiatives, North Bank tender and evaluation process, Aurukun tender process and precinct planning and development.
21. Includes funding for Water for Bowen initiatives and Burnett Program of Actions.
23. See Capital Acquisition Statement.
24. Purchase of the majority of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd.
25. Reflects financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd.
26. Funding for the purchase of the majority of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd, land purchases related to hardrock haulage roads, Townsville State Development Area and the Targinie precinct and financing transactions between the Department and Western Corridor Recycled Water Pty Ltd, Southern Regional Water Pipeline Pty Ltd and City North Infrastructure Pty Ltd for the procurement and/or delivery of major infrastructure works.
27. Financing transactions between the Department and Western Corridor Recycled Water Pty Ltd, Southern Regional Water Pipeline Pty Ltd and City North Infrastructure Pty Ltd for the procurement and/or delivery of major infrastructure works.

Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:

16. Funding for regional recreational trails, creation of the Transit Oriented Development (TOD) Coordination Unit to coordinate TOD policies and projects across State agencies and progress the first stages of the Bowen Hills and Woolloongabba TODs, South East Queensland water infrastructure, Community Futures Taskforce, Burnett Program of Actions, Burdekin Dam to SEQ pipeline investigations, preliminary work on Nullinga Dam and Kinchant Dam, additional funding as a result of enterprise bargaining staffing cost increases offset by finalisation of funding for programs including the relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal and Connors River Dam investigations.
17. Receivables related to the provision of pipes finalised in 2007-08, offset by the Department no longer holding funds provided by Chalco for the State's intellectual property relating to the Aurukun project.
18. Reflects the finalisation of funding for projects including the Coal Taskforce in 2006-07.
19. Staffing of the Community Futures Taskforce, staffing costs for corporate services recognised due to the creation of the Department of Infrastructure as a standalone department and salary cost increases as a result of enterprise bargaining.
20. Finalisation of funding for programs including the relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal and Connors River Dam investigations.
21. Funding for regional recreational trails and Burnett Program of Actions.
22. Finalisation of financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd.
23. See Capital Acquisition Statement.
24. Purchase of the final component of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd.
25. Finalisation of financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd.

26. Purchase of the final component of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd, financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and City North Infrastructure Pty Ltd for the procurement and/or delivery of major infrastructure works.
27. Financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and receivables related to the provision of pipes both finalised in 2007-08.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

16. Finalisation of funding for a number of programs including the Aurukun tender process, North Bank tender and evaluation process, relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal, Connors River Dam investigations, Water for Bowen initiatives and the water recycling initiative offset by new or increased funding for regional recreational trails, creation of the TOD Coordination Unit to coordinate TOD policies and projects across State agencies and progress the first stages of the Bowen Hills and Woolloongabba TODs, Burdekin Dam to SEQ pipeline investigations, preliminary work on Nullinga Dam and Kinchant Dam and additional funding as a result of enterprise bargaining staffing cost increases.
17. Receivables related to the provision of pipes finalised in 2007-08, offset by the Department no longer holding funds provided by Chalco for the State's intellectual property relating to the Aurukun project.
18. Reflects the finalisation of funding for projects including the Coal Taskforce and Project Vista in 2006-07.
19. Funding for salary cost increases as a result of enterprise bargaining.
20. Finalisation of funding for a number of programs including the Aurukun tender process, North Bank tender and evaluation process, relocation of the Caloundra Aerodrome, Brisbane Cruise Ship Terminal, Connors River Dam investigations, Water for Bowen initiatives offset by new or increased funding for the creation of the TOD Coordination Unit, Burdekin Dam to SEQ pipeline investigations and preliminary work on Nullinga Dam and Kinchant Dam.
21. Funding for regional recreational trails.
22. Finalisation of financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd.
23. See Capital Acquisition Statement.
24. Purchase of final component of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd.
25. Finalisation of financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd.
26. Purchase of the final component of the Department's shareholding in South East Queensland (Gold Coast) Desalination Company Pty Ltd, financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and City North Infrastructure Pty Ltd for the procurement and/or delivery of major infrastructure works.
27. Financing transactions between the Department and Southern Regional Water Pipeline Pty Ltd and receivables related to the provision of pipes both finalised in 2007-08.

Income Statement

Expenses and Revenues Administered on Behalf of the Whole of Government

Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:

28. Additional funding for drought strategy investigations for the Queensland Water Commission.

Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:

28. Additional funding for drought strategy investigations for the Queensland Water Commission.

Balance Sheet

Assets and Liabilities Administered on Behalf of the Whole of Government

Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:

29. Gold Coast Convention and Exhibition Centre transferred to Department of Public Works.
30. Brisbane Cruise Ship terminal land.

Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:

29. Gold Coast Convention and Exhibition Centre transferred to Department of Public Works.
30. Brisbane Cruise Ship terminal land.

Cash Flow Statement

Cash Flows Administered on Behalf of the Whole of Government

Major variations between 2006-07 Adjusted Budget and 2006-07 Estimated Actual include:

31. Additional funding for drought strategy investigations for the Queensland Water Commission.

Major variations between 2006-07 Adjusted Budget and 2007-08 Estimate include:

31. Additional funding for drought strategy investigations for the Queensland Water Commission.

RECONCILIATION OF 2007-08 APPROPRIATION AMOUNTS TO THE FINANCIAL STATEMENTS

CONTROLLED

Income Statement

	\$'000
Output Revenue in Income Statement ¹	49,784
<i>Add:</i> Appropriation Funding for Outputs Receivable	..
= Appropriation for Departmental Outputs	49,784
= Output Receipts in Cash Flow Statement ²	49,784

Balance Sheet

	\$'000
Closing balance Contributed Equity ³	256,589
<i>Less:</i> Opening Balance Contributed Equity ³	627,175
= Change in Contributed Equity in the Balance Sheet	(370,586)
<i>Add:</i> Appropriation Equity Injection Receivable	..
<i>Less:</i> Non-appropriated Equity Adjustments ⁴	(236,770)
= Appropriation for Equity Adjustment ⁵	(133,816)
= Net Appropriated Equity Adjustment in Cash Flow Statement	(133,816)

1. This Output Revenue amount reconciles to the Output Revenue line in the Income Statement on page 4-26.
2. This Output Revenue amount reconciles to the Output Receipts line in the Cash Flow Statement on page 4-28.
3. The Contributed Equity amounts reconcile to the Contributed Equity line in the Balance Sheet on page 4-27.
4. Non-appropriated equity adjustments relate to funding for the Airport Link project.
5. The Appropriation for Equity Adjustment amount reconciles to the Equity Adjustment line in the Appropriations table on page 4-6.

ADMINISTERED

Statement of Expenses and Revenues Administered on Behalf of the Whole of Government

	\$'000
Administered Item Revenue in Income Statement ⁶	15,619
<i>Add:</i> Other (Administered) Appropriation Receivable	..
= Appropriation for Administered Expenses ⁷	15,619

Statement of Assets and Liabilities Administered on Behalf of the Whole of Government

	\$'000
Closing balance Contributed Equity ⁸	..
<i>Less:</i> Opening Balance Contributed Equity ⁸	..
= Change in Contributed Equity in the Statement of Assets and Liabilities administered on behalf of the State Government	..
<i>Add:</i> Appropriation Equity Injection Receivable	..
<i>Less:</i> Non-appropriated Equity Adjustment ⁹	(1,000)
= Appropriation for Administered Equity Adjustment ⁷	1,000

6. The Administered Item Revenue amount reconciles to the Administered Item Revenue line in the Statement of Expenses and Revenues Administered on Behalf of the Whole of Government on page 4-26.
7. Total Appropriation for Administered items (\$16.619 million) = Appropriation for Administered expenses (\$15.619 million) + Appropriation for Administered Equity Adjustment (\$1 million).
8. The Contributed Equity amounts reconcile to the Contributed Equity line in the Statement of Assets and Liabilities Administered on Behalf of the Whole of Government on page 4-26.
9. Non-appropriated equity adjustments relate to the provision of an Equity Injection to the Queensland Water Commission.

Note: Appropriation for Administered Expenses + Appropriation for Administered Equity Adjustment = total Administered Items (which reconciles to the Administered Items line in the Appropriations table on page 4-6).

Corporate Services¹ Allocation 2007-08 Estimate (\$'000)

	Notes	Total Corporate Services	Infrastructure and Project Facilitation	Urban Management for South East Queensland
Income				
Output revenue		4,618	3,636	981
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue		..	..	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		4,618	3,637	981
Expenses	2			
Employee expenses		2,918	2,298	620
Supplies and services		1,700	1,339	361
Grants and subsidies		..	..	..
Depreciation and amortisation		..	..	..
Finance/borrowing costs		..	..	..
Other expenses		..	..	..
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		4,618	3,637	981
Full Time Equivalents		29	23	6
Notes:				
1. Corporate services functions include: finance and administration, procurement, human resources, payroll, staff training, information technology, records management, legal services, property acquisition and management, policy development, executive services (Office of the CEO), and Ministerial and Cabinet liaison.				
2. Includes payments to the Corporate Services Agency and the Department of the Premier and Cabinet for the provision of certain Corporate Services.				

COMMERCIALISED BUSINESS UNITS

COMMERCIALISED BUSINESS UNIT: Property Services Group

Overview:

The Property Services Group commenced operations as a commercialised business unit on 1 January 1998, to deliver a range of services under the *Industrial Development Act 1963*. The Property Services Group, through the Estates Construction Fund, provides funding for both property-related and other industry development functions aimed at encouraging the location and expansion of business and industry in Queensland. The industry support mechanisms are delivered by a number of divisions within the Department of Infrastructure and the Department of State Development.

The estimated number of land sales for 2006-07 was higher than expected however the market value of these sales due to their size and locality was significantly less than that estimated. The smaller scale of the projects accommodated resulted in a reduced level of capital investment and jobs created through successful land sales. This is not expected to continue into 2007-08 as new industrial estates such as the Sunshine Coast and Arundel Industrial Parks and the Clinton Industrial Estate will generate sales.

In 2006-07 the Property Services Group was successful in tendering and starting construction of the Sunshine Coast Industrial Park. The first stage of the park, due for completion in early 2008, will release 73 lots catering for a wide range of business and industry activities.

REVIEW OF PERFORMANCE

Recent achievements

Significant achievements and targets met during 2006-07 include:

- sold 60 industrial sites, valued at \$51.1 million, throughout Queensland. The industries located on these sites generated an estimated 300 jobs and created an estimated \$90 million in capital investment through improvements on the sites
- acquired an additional 134 hectares of land in Ipswich City to be developed as part of the Ebenezer Industrial Estate and 223 hectares of land at Aldoga and Yarwun for expansion of the Gladstone State Development Area
- completed the construction of road works and service reticulation for the 16 lot Clinton Industrial Estate, 24 lot Arundel Industrial Park and six lot extension to the Innisfail Industrial Estate
- managed the early construction works of Stage one of the Sunshine Coast Industrial Park (formerly known as the Caloundra Regional Business and Industry Park)
- called tenders for the construction of road works and service reticulation for the 12 lot Yandina Industrial Estate

- completed development application processes and awaiting development decision for Coolum Industrial Estate and commenced negotiations on the South Mackay Industrial Estate
- lodged the development application for Stage six of the Crestmead Industrial Estate and Bohle Industrial Estates.

Future developments

Planned priorities for 2007-08 include:

- 40 industrial sites, valued at \$68.9 million, are to be sold throughout Queensland generating an estimated 400 jobs and creating an estimated \$100 million in capital investment through improvements on the sites
- acquire strategic parcels of land for future industrial development
- complete the construction of road works and service infrastructure for the 73 lot Sunshine Coast Industrial Park, Caloundra
- complete the construction of road works and service reticulation for the 12 lot Yandina Industrial Estate
- complete the construction of road works and service reticulation for the 5 lot Nandroya Industrial Estate
- complete the design and approvals for the construction of Crestmead Industrial Estate, external infrastructure works associated with the Charlton North Industrial Estate, South Mackay Industrial Estate and Woree Business and Industry Park.

PERFORMANCE STATEMENT

CBU: PROPERTY SERVICES GROUP				
Measures	Notes	2006-07 Target/Est.	2006-07 Est. Actual	2007-08 Target/Est.
Financial Performance Measures				
Cost				
Value of land sale settlements	1	\$76.9 million	\$53.1 million	\$71.1 million
Non-Financial Performance Measures				
Quantity				
Number of new land lots developed and buildings constructed	2	63	46	89
Area of land maintained (hectares)	3	6,009	5,704	Discontinued
Number of land leases administered	4	170	171	155
Number of properties acquired		4	5	4
Quality				
Estimated number of jobs generated through successful land sale applications	1	600	300	400
Estimated value of capital investment created through successful land sales applications	1	\$100 million	\$90 million	\$100 million
Location				
% of total number of land sales in Regional Queensland		69%	65%	70%
<p>Notes:</p> <ol style="list-style-type: none"> 1. The decrease between the 2006-07 estimated actual and the 2006-07 Target relates to the reduced value of sales experienced during the year. The increase between the 2006-07 Estimated Actual and 2007-08 target relates to the anticipated demand for new releases of land within the Clinton, Sunshine Coast, Arundel and Nandroya developments. 2. The decrease between the 2006-07 target and the 2006-07 estimated actual reflects the delays met in gaining development approval for the 5 lot Nandroya Industrial Estate and Yandina Industrial Estates. The target for 2007-08 has increased to reflect the expected completion of the 73 lots in the Sunshine Coast Industrial Park, together with revised completion dates for the Nandroya and Yandina developments. 3. This measure is being discontinued. It is not considered a relevant measure of output performance. 4. The variance between 2006-07 estimated actual and 2007-08 target reflects the continuing trend by lessees to convert leases to freehold tenures. 				

CAPITAL ACQUISITIONS

The Property Services Group delivers the property services component of the Industry Location Scheme. Key functions of the group include the acquisition, planning and development of land for business and industry locating to or expanding in Queensland. The group's capital acquisition plan has a total budget of \$87.3 million in 2007-08.

Industrial Estate Development

Development approvals are in place and construction of the following projects is planned or continuing for 2007-08:

- \$29.2 million to complete Stage 1 of the Sunshine Coast Industrial Park.
- \$5.0 million to construct the Yandina Industrial Estate.
- \$2.9 million to construct the Nandroya Industrial Estate.

Construction of the following projects is expected to proceed in 2007-08 once development approvals are obtained:

- \$6.8 million to construct external infrastructure for the Charlton North Industrial Estate.
- \$4.3 million to construct Stage 6 of the Crestmead Industrial Estate.
- \$5.0 million for infrastructure charges for the Coolum Industrial Estate.
- \$4.0 million to commence construction of the South Mackay Industrial Estate.

Land Acquisition

The following land acquisitions are planned for 2007-08, subject to negotiations:

- \$5.0 million for the acquisition of land in Northern / Far North Queensland.
- \$6.0 million for the acquisition of land for future developments of Estates in the Mackay Region.
- \$7.5 million for continued acquisitions within South East Queensland.

CAPITAL ACQUISITION STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Property, plant and equipment				
Other acquisitions of property, plant and equipment		38	105	156
TOTAL PROPERTY, PLANT AND EQUIPMENT		38	105	156
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other capital acquisitions				
Industrial Estate Development				
- Amberley Aerospace Park	1	500	244	1,000
- Arundel Industrial Park	2, 3	4,625	5,196	..
- Bohle Industrial Estate	1	250	126	2,124
- Brisbane Innovation Park		..	100	400
- Charlton North Industrial Estate	4	8,000	185	6,779
- Clinton Industrial Estate – Bensted Street	5, 3	5,500	7,825	..
- Clinton Industrial Estate – Blain Drive	1	..	..	1,500
- Coolum Industrial Estate	6	20,200	196	5,000
- Coomera Government Precinct		..	..	250
- Crestmead Industrial Estate – Stage 6	1	..	79	4,321
- Ebenezer Industrial Precinct		..	..	350
- Gladstone State Development Area		..	..	500
- Innisfail Industrial Estate	7	..	1,600	..
- Lytton Industrial Estate	8, 3	3,500	399	..
- Nandroya Industrial Estate	9	4,200	1,673	2,937
- Narangba Industrial Estate		..	..	250
- South Mackay Industrial Estate	6	7,400	117	4,000
- Sunshine Coast Industrial Park	6	27,000	12,090	29,246
- Woree Business and Industry Park Stages 2 & 3	1	..	190	1,945
- Yandina Industrial Estate	6	4,916	784	5,030
- Minor Works		500	192	500
Land Purchases				
- Amberley Aerospace Park	10	2,000	..	2,000
- Far North Queensland Strategic Land	10	5,000	..	5,000
- Mackay Region Industrial Land	10	6,000	..	6,000
- South East Queensland Strategic Land	10	15,000	9,970	7,530
- Yarwun	11	..	1,000	..
- Minor Land Acquisitions		500	441	500
TOTAL OTHER CAPITAL ACQUISITIONS		115,091	42,407	87,162
TOTAL CAPITAL ACQUISITIONS		115,129	42,512	87,318
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Proceeds of asset sales		115,129	42,512	87,318
TOTAL FUNDING SOURCES		115,129	42,512	87,318

Notes:

1. Additional expenditure in 2007-08 as the project moves from the planning phase into construction.
2. Additional expenditure due to planned future stages of the development being brought forward to meet expected high demand.
3. Development is expected to be completed during 2006-07.
4. Expenditure planned for 2006-07 has been deferred to 2007-08 due to changes in the scope of the project.
5. Expenditure in 2006-07 is higher than expected due to carry over of unused funding in 2005-06.
6. Due to timing of development applications, expenditure on this project has been deferred from 2006-07 to 2007-08 and future years.
7. Development of additional industrial land to assist Innisfail to recover from the effects of Cyclone Larry.
8. Expenditure in 2006-07 is lower than expected due to funding having been brought forward from 2006-07 to 2007-08, and savings in the project.
9. Due to a longer than expected period of site preparation, expenditure on this project has been deferred from 2006-07 to 2007-08.
10. Negotiations for planned purchases were unsuccessful. Other sites are currently under investigation.
11. Acquisition of site to service industries locating in the Gladstone State Development Area.

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges	1	83,798	59,972	77,907
Other revenue	2	5,008	8,347	6,229
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		88,806	68,319	84,136
Expenses				
Employee expenses		1,540	1,742	1,704
Supplies and services	3	32,778	14,750	19,510
Grants and subsidies	4	13,194	20,259	15,332
Depreciation and amortisation		328	305	328
Finance/borrowing costs		586	..	..
Other expenses		5,984	6,085	6,285
Losses on sale/revaluation of property, plant and equipment and investments		1,000	1,000	1,115
Total expenses		55,410	44,141	44,274
Surplus or deficit before related income tax		33,396	24,178	39,862
Income tax expense/revenue	5	10,019	7,254	11,959
OPERATING SURPLUS/DEFICIT after related income tax		23,377	16,924	27,903

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Net effect of the changes in accounting policies and prior year adjustments		..	1,282	..
Increase/ (decrease) in asset revaluation reserve		3,509	8,723	7,100
Net amount of all revenue and expense adjustments direct to equity not disclosed above	
Net income recognised directly in equity		3,509	10,005	7,100
Surplus/ (deficit) for the period		23,377	16,924	27,903
Total recognised income and expense for the period		26,886	26,929	35,003
Equity injection/ (withdrawal)		(10,500)	(10,500)	(3,000)
Equity adjustment (MoG transfer)	
Dividends provided or paid	
Total movement in equity for period		16,386	16,429	32,003

BALANCE SHEET

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	6	52,205	116,978	91,197
Receivables	7	16,250	18,864	6,327
Other financial assets		..	..	..
Inventories	8	258,528	193,649	263,081
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		326,983	329,491	360,605
NON-CURRENT ASSETS				
Receivables	9	43,638	40,448	54,714
Other financial assets		..	..	..
Property, plant and equipment	10	148,583	310,155	301,483
Deferred tax assets		1,214	3,388	3,388
Intangibles				
Other		4	2	2
Total non-current assets		193,439	353,993	359,587
TOTAL ASSETS		520,422	683,484	720,192
CURRENT LIABILITIES				
Payables		1,073	2,877	2,877
Interest-bearing liabilities and derivatives		..	..	..
Current tax liabilities	11	8,467	7,254	11,959
Employee benefit obligations		183	109	109
Provisions		..	..	..
Other		2,894	5,097	5,097
Total current liabilities		12,617	15,337	20,042
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities and derivatives	12	10,000	..	..
Deferred tax liabilities		..	..	..
Employee benefit obligations		159	51	51
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		10,159	51	51
TOTAL LIABILITIES		22,776	15,388	20,093
NET ASSETS (LIABILITIES)		497,646	668,096	700,099
EQUITY				
Capital/contributed equity	13	355,131	355,266	352,266
Retained surplus/accumulated (deficit)	14	33,531	38,123	66,026
Reserves:				
- Asset revaluation reserve	15	108,984	274,707	281,807
- Other		..	..	..
TOTAL EQUITY		497,646	668,096	700,099

CASH FLOW STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges	16	83,798	59,972	77,907
Grants and other contributions		..	..	..
Other		5,008	8,347	6,229
Outflows:				
Employee costs		(1,540)	(1,742)	(1,704)
Supplies and services	17	(116,794)	(55,712)	(88,985)
Grants and subsidies	18	(13,194)	(48,770)	(15,332)
Borrowing costs		(586)	..	..
Tax equivalents paid	19	(5,900)	(11,367)	(13,454)
Other		(44)	(40)	(42)
Net cash provided by/ (used in) operating activities		(49,252)	(49,312)	(35,381)
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		14,500	14,500	14,485
Investments redeemed		..	..	..
Loans and advances redeemed	20	3,083	2,752	14,271
Outflows:				
Payments for property, plant and equipment and intangibles		(38)	(105)	(156)
Payments for investments		..	..	..
Loans and advances made	21	(20,628)	(4,393)	(16,000)
Net cash provided by/ (used in) investing activities		(3,083)	12,754	12,600
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings	22	10,000	..	..
Equity injections		..	..	..
Outflows:				
Dividends paid		..	..	..
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	23	(10,500)	(10,500)	(3,000)
Net cash provided by/ (used in) financing activities		(500)	(10,500)	(3,000)
Net increase/ (decrease) in cash held		(52,835)	(47,058)	(25,781)
Cash at the beginning of financial year	24	105,040	164,036	116,978
Cash transfers from restructure		..	..	..
Cash at the end of financial year		52,205	116,978	91,197

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

1. A reduction in User charges due to lower than expected sale of inventory land in the Lytton Industrial Estate.
2. An increase in Other revenue due to interest receipts on higher than expected cash balance.
3. A reduction in Supplies and services due to a lower cost of goods sold, in line with lower sales of inventory land.
4. An increase in Grants and subsidies due to additional proposed Industry Support payments.
5. A reduction in Income tax expense due to a lower than expected surplus.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

1. An increase in User charges revenue due to an expected higher level of market demand for industrial land.
2. A reduction in Other revenue due to lower interest receipts on a reduced cash balance.
3. An increase in Supplies and services due to a higher cost of goods sold, in line with higher sales of land inventory.
4. A reduction in Grants and subsidies reflecting the conclusion of some Industry Support projects attracting grant funding.
5. An increase in Income tax expense due to a higher operating surplus.

Balance Sheet

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

6. An increase in Cash assets due to lower than expected capital works, caused by delays in development approvals.
7. An increase in Current Receivables due to a higher than expected opening balance for Other loans.
8. A reduction in Inventories due to lower than expected capital works.
9. A reduction in Non-Current Receivables due to deferral of a budgeted loan as part of the financial arrangements for an Industry Support project; this variance is partly offset by a higher than expected balance of Finance lease debtors.
10. An increase in Property, plant and equipment due to a major revaluation of leasehold land, reflecting substantial increases in the market value of land throughout Queensland.
12. A reduction in Non-Current payables due to the planned raising of a loan as part of financial arrangements for an Industry Support project not being required, as the project has been deferred to 2007-08.
14. An increase in Retained surplus due to a higher than expected opening balance at 1 July 2006.
15. An increase in the Asset valuation reserve due to a major revaluation of leasehold land (See Note 10 above).

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

6. A decrease in Cash assets due to planned expenditure on capital works and Industry Support projects.
7. A reduction in Current Receivables, due to the refund from provisions of funding provided to the Department of Infrastructure for acquisitions in the Gladstone State Development Area.
8. An increase in Inventories due to expenditure on capital works, to ensure the future supply of developed land for industry.
9. An increase in Non-Current Receivables, due primarily to the provision of a loan as part of an Industry Support project.
10. A reduction in Property, plant and equipment due to expected sales of non-inventory land controlled by the Property Services Group, as non-inventory land controlled by the business unit is converted to freehold by lessees.
11. An increase in Current tax liabilities reflecting equivalents of company tax payable on the surplus earned in 2007-08.
13. A reduction in Contributed equity due to an annual equity withdrawal of \$3 million.
14. An increase in Retained surplus due to the expected surplus to be earned in 2007-08.
15. An increase in the Asset revaluation reserve due to expected revaluations of non-inventory land.

Cash Flow Statement

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

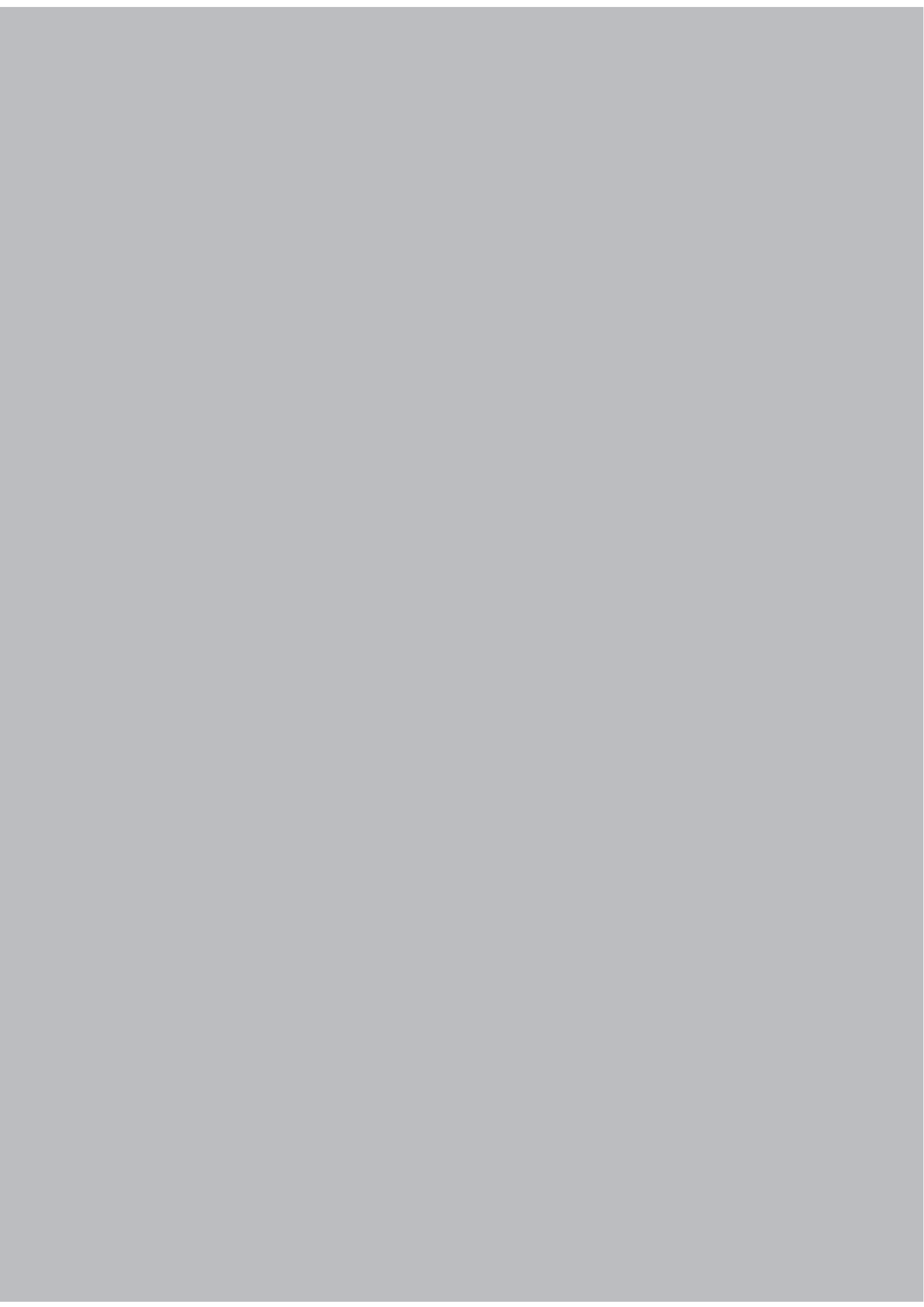
16. A decrease in inflows from User charges due to lower than expected sales of inventory land in the Lytton Industrial Estate.
17. A decrease in outflows for Supplies and services due to lower than expected capital works, which resulted primarily from delays in receiving development approvals.
18. An increase in outflows for Grants and subsidies, due to additional Industry Support payments.
19. An increase in outflows for Tax equivalents due to a timing variance in the payment of company tax equivalents.
21. A reduction in outflows for Loans and advances made due to the planned provision of a loan as part of financial arrangements for an Industry Support project not being required.
22. A reduction in inflows from Borrowings due to the planned raising of a loan as part of financial arrangements for an Industry Support project not being required.
24. An increase in Cash at the beginning of the year due primarily to deferrals of expenditure on Grants and subsidies and capital projects.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

16. An increase in inflows from User charges due to an expected higher level of demand for industrial land.
17. An increase in outflows for Supplies and services primarily due to higher expenditure on capital works, to ensure the future availability of serviced industrial land.
18. A reduction in outflows for Grants and subsidies, as the outflows for 2006-07 included substantial once only payments.
20. An increase in inflows for Loan redemptions, due to the refund from provisions of funding supplied for the acquisition of land in the Gladstone State Development Area.
21. An increase in loans and advances made, due primarily to the provision of a loan as part of an Industry Support project.
23. A reduction in Equity withdrawals, due to a once only payment of \$7.5 million in 2006-07 to fund acquisitions for the Townsville State Development Area.

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**MINISTERIAL PORTFOLIO STATEMENT
2007-08 STATE BUDGET**

**DEPUTY PREMIER, TREASURER AND MINISTER
FOR INFRASTRUCTURE**

QUEENSLAND WATER COMMISSION

**Hon. Anna Bligh MP
Deputy Premier, Treasurer and
Minister for Infrastructure**

**Elizabeth Nosworthy
Chair
Queensland Water Commission**

STRATEGIC ISSUES

South East Queensland faces its most critical water shortage in recorded history, with major regional storages currently at record low levels with unfavourable weather conditions predicted for the foreseeable future. Only sound water planning and management of water supply contingencies will put Queensland in the best possible position to manage this risk.

The Queensland Water Commission (“the Commission”) is an independent statutory authority created by the Queensland Government, under the *Water Act 2000*, to provide advice on water planning and related matters. The Commission’s primary role is to secure sustainable water supply and demand management measures in South East Queensland.

The Commission was established in June 2006 with a number of functions that can be categorised as regulatory and those given by Ministerial direction.

Regulatory functions associated with regional water supply and demand management in South East Queensland, include:

- setting and enforcing water restrictions to secure regional water supply
- formal advice to government on long term water supply and demand and the associated formulation of the regional water security program measures
- developing and enforcing a 'system operating plan' for a regional water grid
- ensuring implementation of government-approved programs and plans through program management and reporting.

Functions given by Ministerial direction include providing advice to Government on institutional reforms (including pricing) in South East Queensland and public education in relation to purified recycled water.

The Commission’s outputs contribute to the Queensland Government’s priorities by:

- securing a sustainable water supply for South East Queensland, which will underpin community wellbeing and ensure economic growth
- delivering reports on the *Water Amendment Regulation (No. 6) 2006*, requiring the completion of a range of supply and demand side measures by proponents within prescribed timeframes.

The Commission’s staffing numbers for 2007-08 will be 70 full time equivalents and it will have a budget of approximately \$16.619 million in 2007-08.

NON-DEPARTMENTAL OUTPUT PERFORMANCE

NON-DEPARTMENTAL OUTPUT: **Securing sustainable water supply, demand management measures in South East Queensland, advice on water planning**

RELATED OUTCOME: **Strengthening Queensland Communities**

DESCRIPTION

The Commission's medium to long term direction focuses on these work program areas:

- **Regional planning and policy:** including water grid infrastructure feasibility studies and infrastructure program management; the System Operating Planning function which will provide the operating rules for the Water Grid; the Purified Recycled Water policy and regulatory advice including management of the Expert Advisory Panel and long-term planning including the Regional Water Supply Strategy. The direct beneficiaries are the residential and non-residential water users in South East Queensland, including households, power stations, and commercial and industrial water users. Rural water use will also be considered in the South East Queensland Regional Water Supply Strategy.
- **Demand efficiency and substitution:** including development of a range of residential and non-residential water restrictions, regulatory measures and supporting services to manage demand as a short-term drought response and to improve water efficiency through ongoing measures.
The Commission aims to achieve an acceptable water balance for a fast growing region. Its initiatives have significant social and economic benefits for the region as effective demand management minimises the need for severe restrictions that impact on community wellbeing and specific industry sectors.
- **Water reform:** including the Review of Institutional Arrangements and Cost Recovery and Pricing Framework. The benefits of institutional reform will be the management of South East Queensland's water in a sustainable, financially viable and integrated manner to improve the security and reliability of water supply.
- **Communications and external relations:** including public engagement, information and marketing related to restrictions, demand efficiency, consultation and education. Beneficiaries are the South East Queensland community because water savings achieved through communications will improve water security during the ongoing drought. Other benefits include community understanding of water restrictions; other demand management measures; purified recycled water and community awareness of institutional and pricing changes for water in the region.

It should be noted that this is the Commission's first Ministerial Portfolio Statement.

Recent achievements

Regional Planning and Policy has responsibility for planning and advising on the water security program needed to meet regional water security for the South East Queensland region.

The Commission's aim is to optimise the water supply and demand balance in South East Queensland in the short, medium and long term. The overarching objective is to support the delivery of least cost, sustainable, safe and secure water supplies for South East Queensland.

Recent achievements include:

- provision of direction and project management for the preparation of the South East Queensland Regional Water Supply Strategy
- monitoring and monthly reporting on the progress of Drought Regulation projects
- advice to the Water Infrastructure Project Board overseeing the development of major pipeline components of the regional water grid
- assessment of opportunities for increased water availability for rural communities in South East Queensland
- groundwater assessment and monitoring on North Stradbroke Island for inclusion in the South East Queensland Grid
- progress on the development of Purified Recycled Water policy including establishment of an expert advisory panel to ensure the safe use of recycled water.

Demand Efficiency and Substitution initiatives will be an integral component of the region's water supply strategy. Both nationally and internationally, a best practice approach to metropolitan water supplies includes a sophisticated approach to water efficiency as well as demand monitoring and management programs.

Recent achievements include:

- effective implementation of Level 4 and 5 Water Restrictions in 12 local government areas in South East Queensland with Level 4 savings targets achieved
- consultation with key stakeholders and the community for Level 4 and 5 Water Restrictions
- release of an integrated Regional Demand Management Framework (2007-09)
- ongoing consultation with major industry peak bodies and associations, commercial and industrial water users (using more than one million litres of water per year) to support the implementation of Water Efficiency Management Plans
- establishment of a Water Efficiency Assessor Register to support business in the implementation of Water Efficiency Management Plans; and assist water service providers in selecting an assessor to review a Water Efficiency Management Plan
- publication of best practice guidelines for industry water use and Level 5 Water Restrictions facts sheets.

Water Reform is responsible for the Review of Institutional Arrangements for Water Supply in South East Queensland and the provision of advice to government on a cost recovery and pricing framework for the South East Queensland Water Grid.

The work on institutional reform is a critical part of changes being made to ensure both the immediate and long term water security in the region. The Government has identified the need for substantial structural and regulatory reform within the region to improve the security of supply and service delivery outcomes for water users.

Sound pricing policies assist the achievement of long term water security objectives by providing incentives for: businesses to invest in infrastructure; retailers and end users to conserve water; and an appreciation of the value of water.

Recent achievements include:

- provision in February 2007 of draft advice to Government on institutional and pricing issues for urban water supply in South East Queensland
- release of the Commission's advice in the form of two draft reports: Instructional Arrangements for Urban Water Supply in South East Queensland, about how the Water Grid system could be managed as the water infrastructure program comes on line; and Cost recovery and pricing for Urban Water Supply in South East Queensland, about future beneficiaries of the grid and water price increases that could arise in the region
- a public and key stakeholder consultation process on these draft reports, including the receipt, acknowledgement, collation and consideration of comments made on the reports
- further work (as a result of the Government's initial response to the two draft reports), on developing options for further structural reform of institutional arrangements.

Communications and External Relations is responsible for ensuring public participation in the Commission's program of supply and demand measures to secure the region's water supply now and in the future. The unit provides advice on communication and delivers campaigns to support work conducted by the Commission.

Significant programs include a social behavioural change campaign at the centre of Level 5 water restrictions to significantly reduce water consumption and publishing and promoting the South East Queensland Regional Water Supply Strategy. Social and behavioural change has achieved substantial water savings in the region already. This has occurred through effective communication campaigns including media, advertising and websites.

Recent achievements include:

- water efficiency campaigns delivering reductions in water demand
- stakeholder and community engagement that has informed the community
- publication and delivery of the Commission's new website.

Future developments

The Regional Planning and Policy future developments will include:

- release of the draft South East Queensland Regional Water Supply Strategy for public and stakeholder comment in August/September 2007
- provision of advice to the Queensland Government regarding purified recycled water for South East Queensland (including on a regulatory framework), and support for the Expert Advisory Panel in assessing other potential purified recycled water schemes
- development of a System Operating Plan, to control the operation of the South East Queensland Water Grid, during 2007-08. The Commission's main activities to achieve this will be, network modelling and operational analysis, stakeholder consultation, monitoring and compliance.

The Demand Efficiency and Substitution future developments will include:

- a comprehensive Regional Demand Management Program linked to the regional water grid and system operating plan implementation
- regionally consistent compliance practices and reporting across all Local Government areas
- the completion of the regional end use demand model for all South East Queensland Councils including providing
- training to South East Queensland councils
- industry training and engagement
- industry programs to promote water efficiency
- stage one of the Urban Water Accounting System, including standardised data collection, billing and reporting across the region and an on-line information portal to facilitate efficient data transfer, processing and real-time monitoring associated with water use in South East Queensland.

The Water Reform future developments will include advice on:

- a cost recovery and pricing framework for the South East Queensland Water Grid
- the contractual relationships between the asset owners, retailers and the grid manager
- the institutional and legal framework for the earlier mentioned System Operating Plan
- legislative amendments associated with the institutional and pricing policies to be determined by the Queensland Government
- participation in national policy development and information exchange on urban water issues.

The Communications and External Relations future developments will include:

- increasing public awareness of water restrictions, to improve adherence and reduce water use in the region, through a four part communications campaign focusing on:
 - residential efficiency (including retrofits)
 - business efficiency
 - water restrictions
 - the "Target 140" campaign encouraging residents to reduce the average residential per capita water use to 140 litres per day.
- public explanation of water pricing and institutional arrangements for the water grid
- publication and distribution of South East Queensland Regional Water Supply Strategy
- documents, fact sheets and direct mail campaigns to both industry and the community
- responding to enquiries from the public, industry and other agencies
- ongoing website development to inform and engage the community.

NON-DEPARTMENTAL OUTPUT STATEMENT

Non-Departmental Output: To secure sustainable water supply and demand management measures in South East Queensland and to advise on water planning and related matters				
Measures	Notes	2006-07 Target/Est	2006-07 Est. Actual	2007-08 Target/Est
Quantity				
Reports delivered in accordance with Ministerial Directions	1, 5	New	2	As required
Number of Monthly Progress Reports on Water Supply Emergency Projects delivered to the Queensland Government		New	10	12
Quality				
Errors in public communications and advertising on regional water security position	5	New	0	0
Effective messaging of the detail of mandatory water restrictions.		New	2	As required
Timeliness				
Release a System Operating Plan for the South East Queensland Water Grid	2, 5			July 2007
Release of draft South East Queensland Regional Water Supply Strategy	3, 5			August/Sept 2007
Making water restrictions where required by the supply/demand balance	4, 5	New	2	As required
State Contribution (\$'000)	6	14,322	18,326	15,958
Other Revenue (\$'000)	6	..	..	..
Total Cost (\$'000)	6	14,322	18,326	15,958
Notes: 1. Dependent on water policy direction and level of activity in South East Queensland 2. Released for an initial period of consultation during which time it will serve as a working document, but subject to regular review. 3. Draft for public consultation. 4. As required based on storage levels and demand in South East Queensland. 5. This the first MPS for the Queensland Water Commission and therefore there are no previous performance measures. 6. Refer to the Output Income Statement – Queensland Water Commission on page 5-8.				

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2006-07 Adjusted Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
Income				
User charges		..	..	..
Grants and other contributions	1, 6, 7	14,322	18,326	15,958
Other revenue		..	..	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		14,322	18,326	15,958
Expenses				
Employee expenses	2, 5	3,783	3,449	6,784
Supplies and services	3	10,539	14,872	9,154
Grants and subsidies		..	..	..
Depreciation and amortisation		..	5	20
Finance/borrowing costs		..	..	..
Other expenses		..	..	..
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		14,322	18,326	15,958
OPERATING SURPLUS / (DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 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)	8	750	750	1,000
Equity adjustments (MoG transfers)		..	..	..
Total movement in equity for period		750	750	1,000

BALANCE SHEET

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CURRENT ASSETS				
Cash assets	9	750	2,745	2,495
Receivables		400	441	..
Other financial assets		..	..	..
Inventories		..	..	..
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		1,150	3,186	2,495
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment		60	55	35
Intangibles		..	..	1,750
Other		..	..	..
Total non-current assets		60	55	1,785
TOTAL ASSETS		1,210	3,241	4,280
CURRENT LIABILITIES				
Payables	4	..	1,500	1,500
Employee benefit obligations	5	460	652	1,030
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other	7	..	339	..
Total current liabilities		460	2,491	2,530
NON-CURRENT LIABILITIES				
Payables		..	..	..
Employee benefit obligations		..	..	..
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		..	..	..
TOTAL LIABILITIES		460	2,491	2,530
NET ASSETS (LIABILITIES)		750	750	1,750
EQUITY				
Capital/contributed equity	8	750	750	1,750
Retained surplus/ (accumulated deficit)		..	..	..
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		750	750	1,750

CASH FLOW STATEMENT

	Notes	2006-07 Budget \$'000	2006-07 Est. Act. \$'000	2007-08 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions	1, 6	14,322	18,665	16,060
Other		..	..	..
Outflows:				
Employee costs		(3,323)	(3,257)	(6,406)
Supplies and services	1, 6	(10,939)	(13,413)	(9,154)
Grants and subsidies		..	..	..
Borrowing costs		..	..	..
Other		..	..	..
Net cash provided by/ (used in) operating activities		60	1,995	500
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	10	(60)	..	(1,750)
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/ (used in) investing activities		(60)	..	(1,750)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	8	750	750	1,000
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals		..	..	..
Net cash provided by/ (used in) financing activities		750	750	1,000
Net Increase/ (decrease) in cash held		750	2,745	(250)
Cash at the beginning of financial year		..	..	2,745
Cash transfers from restructure		..	..	..
Cash at the end of financial year		750	2,745	2,495

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

1. Additional funding made available for Level 5 Water Restrictions advertising campaign and Purified Recycled Water program.
2. Employee costs were less than expected as a result of difficulties experienced in attracting suitably qualified personnel in a number of areas.
3. The increased activity underlying the business driving QWC has resulted in increased expenditure on supplies and services.
4. New agency – no previous history.

Major variations between 2006-07 Budget and 2007-08 Estimate include:

5. Full complement of staffing expected for 2007/08.
6. Further advertising campaigns in 2007/08 will be dependent upon availability of water supply and required actions.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

6. Further advertising campaigns in 2007/08 will be dependent upon availability of water supply and required actions.

Balance Sheet

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

4. Refer to Income Statement note 4.
5. Refer to Income Statement note 5.
7. QWC has recognised grants as unearned revenue as the associated activity is not expected to occur until 2007-08. This will create a difference between Department of Infrastructure's administered Grants line and QWC's 2007/08 estimates.
8. Funds for development of South East Queensland Water Accounting Framework to be capitalised on completion.
9. includes accruals, and unearned revenue.

Cash Flow Statement

Major variations between 2006-07 Budget and 2006-07 Estimated Actual include:

1. Refer to Income Statement note 1.
6. Refer to Income Statement note 6.

Major variations between 2006-07 Budget and 2007-08 Estimate include:

6. Refer to Income Statement note 6.

Major variations between 2006-07 Estimated Actual and the 2007-08 Estimate include:

6. Refer to Income Statement note 6.
8. Refer to Balance Sheet note 8.
10. 2006/07 payments include office equipment that will not be replaced 2007/08. Refer to Balance Sheet note 8 for 2007/08.

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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.
Accrual Output Budgeting (AOB)	A process through which agencies are funded and monitored on the basis of delivery (performance) of outputs which have been costed on a full accrual basis. Queensland's model of AOB, <i>Managing for Outcomes</i> , is a fully integrated planning, budgeting and performance management framework.
Administered Items	Assets, liabilities, revenues and expenses an agency administers on behalf of the Government without discretion.
Agency	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 organisations established by Executive decision rather than legislation.
Appropriation	Represents Parliamentary authority for the Treasurer to issue funds to agencies during a financial year for: <ul style="list-style-type: none"> • delivery of agreed outputs • administered items • adjusting the Government's equity in agencies.
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 the stock of assets, including property, plant and equipment, intangible assets and inventories, that an agency owns and/or controls, and uses in the delivery of services, and capital grants made to other entities.
Cash Flow Statement	A financial statement which reports the inflows and outflows of cash for a particular period for the operating, investing and financing activities undertaken by an agency or the Government as a whole.
Controlled Items	Assets, liabilities, revenues and expenses that are controlled by departments, in that they relate directly to the departmental operational objectives and which arise at the discretion and direction of the department concerned.

Depreciation	The periodic allocation of the cost of physical assets, representing the amount of the asset consumed during a particular period of time.
Equity	Equity is the residual interest in the assets of the entity after deduction of its liabilities. It usually comprises the agency'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.
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.
Outputs	Discrete services or products for external customers or consumers produced by agencies with funding from the Government.
Own-Source Revenue	Revenue generated by an agency, generally through the sale of goods and services but may also include approved Commonwealth Specific Purpose Payments.
Priorities	The Government's Priorities represent the areas of policy for focussed attention during a given term. They highlight key areas where improved results are sought.

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.

State Budget 2007–08
Ministerial Portfolio Statement

**Deputy Premier, Treasurer and
Minister for Infrastructure**

www.budget.qld.gov.au

