



Cyclone Larry response



State Budget 2006–07

Ministerial Portfolio Statement

Deputy Premier, Treasurer and
Minister for State Development,
Trade and Innovation



2006-07 State Budget Papers

1. Budget Speech

2. Budget Strategy and Outlook

3. Capital Statement

Budget Highlights

Appropriation Bills

Ministerial Portfolio Statements

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 2006-07.

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 2006-07 Budget, final information about actual financial and non-financial performance is not yet available for the 2005-06 financial year. Therefore, an estimate of performance ('estimated actual') for 2005-06 is shown throughout the MPS.

The MPS forms part of the 2006-07 State Budget Papers.

The MPS are available online at www.budget.qld.gov.au or they can be purchased through The Government Bookshop, individually or as a set - phone (07) 3246 3394.

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MINISTERIAL PORTFOLIO STATEMENT

2006-07 STATE BUDGET

This Ministerial Portfolio Statement includes the following Departments and Agencies:

TREASURY DEPARTMENT

**CORPTECH
SHARED SERVICE AGENCY**

**MOTOR ACCIDENT INSURANCE COMMISSION
NOMINAL DEFENDANT**

**DEPARTMENT OF STATE DEVELOPMENT,
TRADE AND INNOVATION**

PROPERTY SERVICES GROUP

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Queensland
Government

MINISTERIAL PORTFOLIO STATEMENT

2006-07 STATE BUDGET

DEPUTY PREMIER, TREASURER AND MINISTER FOR STATE DEVELOPMENT, TRADE AND INNOVATION

TREASURY DEPARTMENT

Hon. Anna Bligh MP
Deputy Premier, Treasurer
and Minister for State Development,
Trade and Innovation

Gerard Bradley
Under Treasurer

DEPARTMENTAL OVERVIEW

STRATEGIC ISSUES

Treasury provides policy advice, strategies and financial services to assist the Government in achieving sustainable economic outcomes and fiscal strength for Queensland. Treasury works collaboratively with its stakeholders to help Government in meeting its fiscal objectives as outlined in the *Charter of Social and Fiscal Responsibility* and to progress its key objectives. Stakeholders include all Queensland Government agencies, other levels of government, business and communities across the State.

Key priorities for Treasury 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 interests in Government-owned corporations (GOCs) to maximise shareholder returns, build shareholder value and ensure 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
- improving products and services to meet the needs of employers and members of the State Public Sector Superannuation Fund (QSuper) and delivering high quality educational material to improve the financial literacy of QSuper members
- playing a lead role in the evolution and refinement of the whole-of-Government model for shared service delivery.

2006-07 HIGHLIGHTS

Treasury will focus on the following initiatives in 2006-07:

- developing and monitoring the State Budget to assist the Government in achieving its priorities and building awareness of the risks and influences affecting Queensland's fiscal position
- monitoring GOC operational and financial performance and reviewing the Office of Government Owned Corporations' performance monitoring process
- implementing the outcome of the Government's Energy Review

- establishment of the Queensland Future Growth Fund through the investment of proceeds from the sale of certain energy assets. The Fund will help meet the challenges of climate change and will help ensure the continued economic development of the State
- monitoring progress of implementation of the Health Action Plan following the review of Queensland Health's systems
- continuing, together with the Department of the Premier and Cabinet, to implement the new National Reform Agenda which was signed by the Council of Australian Governments in February 2006
- maintaining and enhancing rigorous economic and social research agendas relating to the economic and social advancement of the State, involving partnerships with government, industry and universities
- finalising 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 Census data
- implementing the Government's revenue initiatives and improving revenue management by providing responsive and ongoing legislation and revenue policy advice to Government
- improving and expanding duty and payroll tax self-assessment through e-business initiatives, with supporting voluntary compliance and investigation strategies
- completing the review of the gaming machine reallocation scheme for hotels and review the *Queensland Responsible Gambling Strategy*
- developing products which focus on the core superannuation offering to support QSuper members in achieving a better lifestyle in retirement and delivering services over multiple channels and tailored where possible to suit members' needs
- supporting the development and implementation of business solutions to deliver standardised corporate services, including finance, human resource management and documents and records management.

In its capacity as manager of the State's finances, Treasury will receipt more than \$15 billion in revenue and administer grant and subsidy programs totalling more than \$885 million in 2006-07.

DEPARTMENTAL OUTPUTS

Treasury is a diverse and complex portfolio comprising six 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.

GOC Performance and Governance

The Office of Government Owned Corporations (OGOC) supports and advises shareholding Ministers in administering the Government's shareholding in its GOCs. This includes ensuring 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) reports on economic and statistical research activities, including whole-of-Government collection, collation, interpretation, analysis and dissemination of high quality economic and statistical information, modelling and research services, and specific information and data management services for major initiatives and whole-of-Government priorities.

Taxation

The Office of State Revenue (OSR) delivers and administers efficient and equitable revenue management services for State taxes and grant and subsidy schemes. It provides revenue policy advice, and Ministerial and legislative services to maintain and improve revenue systems and their administration. OSR is also responsible for administering the Community Ambulance Cover Scheme, the Fuel Subsidy Scheme and the First Home Owner Grant.

Gambling

The Queensland Office of Gaming Regulation (QOGR) maintains the integrity and probity of the gambling industry, responsible gambling policy and research activities and managing the allocation of funds for community benefit. Its role includes implementing a stringent licensing regime, the provision of policy advice on gambling issues, various compliance activities and implementing responsible gambling practices.

QOGR also manages the allocation of funds from the Community Investment Fund, which includes grants to community organisations from the Gambling Community Benefit Fund.

Superannuation

The Government Superannuation Office (GSO) administers the State Public Sector Superannuation Fund (QSuper), the Parliamentary Contributory Superannuation Fund and the pension entitlements of judges. This includes providing policy advice to the Government and Trustee Boards on products, services and administration of legislation in relation to the management of superannuation for current and former Queensland public sector employees and their spouses.

GSO also administers the State Government's long service leave provisions for Queensland public sector agencies.

OUTPUT LINKAGES WITH GOVERNMENT OUTCOMES

Output Name	Government Outcome/Strategic Governance
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
Superannuation	Delivering responsive government

DEPARTMENTAL FINANCIAL SUMMARY

	2005-06 Budget \$'000	2005-06 Est. Actual \$'000	2006-07 Estimate \$'000
CONTROLLED¹			
Income			
Output revenue	116,066	116,706	103,290
Own source revenue	64,578	70,758	87,499
Total income	180,644	187,464	190,789
Total expenses	180,644	187,464	190,789
Operating Surplus/(Deficit)	..	..	..
NET ASSETS	69,247	69,096	72,658
ADMINISTERED¹			
Revenue			
Administered item revenue	2,146,939	1,419,407	2,344,830
Other administered revenue	14,204,913	14,718,806	15,325,230
Total revenue	16,351,852	16,138,213	17,670,060
Expenses			
Transfers of administered revenue to Government	14,192,584	14,697,130	15,290,610
Administered expenses	2,146,140	1,424,438	2,399,204
Total expenses	16,338,724	16,121,568	17,689,814
Note: 1. Explanations of variances are provided in the 'Explanation of Variances in the Financial Statements' section and 'Output Income Statements'.			

APPROPRIATIONS

	2005-06 Budget \$'000	2006-07 Estimate \$'000
Controlled Items ¹		
Departmental Outputs ²	116,066	103,290
Equity Adjustment	4,487	3,125
Administered Items ³	1,390,859	597,193
Vote Total	1,511,412	703,608
<p>Notes:</p> <ol style="list-style-type: none"> 1. A reconciliation of appropriations to the Financial Statements follows the Financial Statements. 2. The decrease in the 2006-07 Estimate reflects the change in funding arrangements for QOGR from Output revenue to the Community Investment Fund effective from 1 July 2006 and the transfer of SSIO to the new Shared Service Agency from 1 July 2006. 3. Administered appropriation is net of equity withdrawals. In 2006-07 \$1.772 billion of funds borrowed on a whole-of-Government basis for the State's capital program will be withdrawn as equity. This compares to equity withdrawals of \$810 million in the 2005-06 Budget. 		

STAFFING¹

Output/Activity	Notes	2005-06 Est. Actual	2006-07 Estimate
OUTPUTS²			
Financial and Economic Policy		245	251
GOC Performance and Governance		48	48
Economic and Statistical Research		106	110
Taxation	3	390	405
Gambling		244	243
Superannuation		388	385
Shared Service Implementation	4	40	..
Total Outputs		1,461	1,442
ADMINISTERED		..	..
Corporate Services provided to other agencies		12	17
Total Treasury		1,473	1,459
SHARED SERVICE INITIATIVE			
CorpTech		493	493
Shared Service Agency	4	..	2,163
Total Shared Service Initiative		493	2,656
Notes: 1. Full-Time Equivalents (FTEs) as at 30 June. 2. Corporate FTEs are allocated across the outputs to which they relate. 3. The 2005-06 Estimated Actual and the 2006-07 Estimate include 14 employees whose wages will be capitalised as part of the Revenue Management System. 4. Shared Service Implementation Office staff will transfer to the newly established Shared Service Agency. The 2006-07 Estimate includes FTEs of Corporate Solutions Queensland, PartnerOne and CorporateLink.			

2006-07 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	33,593	31,210	2,020	..	363
GOC Performance and Governance	5,819	4,787	983	..	49
Economic and Statistical Research	13,561	9,192	4,319	..	50
Taxation	48,272	46,287	1,457	..	528
Gambling	38,287	3,879	34,144	..	264
Superannuation	53,209	6,119	46,210	..	880
Departmental	192,741	101,474	89,133	..	2,134
Other²	3,424	1,816	1,492	..	116
Reconciliation Adjustment to the Income Statement³	(5,376)	..	(5,376)	..	..
Total⁴	190,789	103,290	85,249	..	2,250
<p>Notes:</p> <ol style="list-style-type: none"> 1. Explanations of variances are provided in the Financial Statements and Output Income Statements. 2. The total revenue sources do not equal the Total income in the Departmental Financial Summary Table as the Department provides corporate services to non-departmental outputs (MAIC, Nominal Defendant, CorpTech 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 2006-07 Corporate Support Allocation is provided on p. 1-56. 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.

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
- providing advice on Australian Government taxes and tax equivalents to Government agencies
- 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 2006-07 State Budget
- monitored and reviewed the 2005-06 Budget and Special Fiscal and Economic Statement
- maintained the State's net worth and AAA credit rating
- completed the sixth report of outcomes — the *Priorities in Progress Report 2004-05*, under the *Charter of Social and Fiscal Responsibility*
- provided regular progress reports on the implementation of the Government's capital program, including the South East Queensland Infrastructure Plan and Program (SEQIPP)
- continued research and consultation with agencies to mitigate risk
- developed the first two stages of a project assurance process for projects involving a substantial information and communication technology component for use across Government
- provided ongoing commercial and financial advice on a number of major infrastructure projects being progressed under the PPP Policy and Value for Money Framework
- participated in the Review of State Taxes under the *Inter-Governmental Agreement on the Reform of Commonwealth-State Financial Relations* and fulfilled all current obligations with the abolition of debits tax in 2005 and lease duty and credit business duty on 1 January 2006.

Future Developments

During 2006-07 this output will focus on the following key priorities:

- 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
- managing and coordinating the State Budget process within agreed timeframes
- monitoring progress on initiatives outlined in the Special Fiscal and Economic Statement including the health reform agenda

- monitoring progress of implementation of the Health Action Plan following the review of Queensland Health's systems
- establishment of the Queensland Future Growth Fund through the investment of proceeds from the sale of certain energy assets. The Fund will help meet the challenges of climate change and will ensure the continued economic development of the State
- implementing together with the Department of the Premier and Cabinet, the new National Reform Agenda, signed by the Council of Australian Governments in February 2006
- assisting in the establishment of the new Water Commission and the development of options for ensuring the water security of the South East of Queensland
- implementing the remaining outcomes of the Review of State Taxes under the *Inter-Governmental Agreement on the Reform of Commonwealth-State Financial Relations*
- continued review of the financial management framework and identification of opportunities to improve the 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
- implementing the project assurance framework for use across Government
- continuing enhancement of the QGIF database to achieve more accurate premium setting and to provide insured agencies with data which improves their risk management practices
- monitoring national developments in insurance issues
- continuing to monitor progress with the SEQIPP, industry capacity issues and general economic conditions affecting infrastructure delivery.

OUTPUT STATEMENT

Output: Financial and Economic Policy				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Quarterly reports on financial position to Treasurer within 6 weeks of quarter end	2	4	4	4
Number of written pieces of portfolio resource allocation advice provided.	2	n/a	1,450	1,450
Number of written pieces of economic and intergovernmental relations advice provided.	2	n/a	610	610
Number of written pieces of fiscal, taxation policy and financial management advice provided.	2	n/a	725	725
Number of written pieces of infrastructure policy advice provided.	2	n/a	195	195
Quarterly estimates of the cost of departmental insurance losses at a whole-of-Government level	2	4	4	n/a
Quality ¹				
Adherence to fiscal objectives as described in the <i>Charter of Social and Fiscal Responsibility</i>	2	100%	100%	100%
Compliance with the Uniform Presentation Framework requirements and relevant Australian Accounting Standards for whole-of-government financial reporting	2	100%	100%	100%
Availability of financial management reporting system (Tridata)	2	95%	95%	n/a
Timeliness				
Achievement of key milestones in the budget process		100%	100%	100%
Achievement of key milestones in the Report on State Finance process	2	n/a	100%	100%
Data provision to the Commonwealth Grants Commission and Australian Bureau of Statistics within agreed timeframes	2	n/a	100%	100%
Cost (\$)				
Cost of portfolio resource allocation advice	2	\$5.956 million	\$5.844 million	\$6.313 million
Cost of economic and intergovernmental relations advice	2	n/a	n/a	\$2.366 million
Cost of fiscal, taxation policy and financial management advice	2	n/a	n/a	\$5.275 million
Cost of infrastructure policy advice	2	n/a	n/a	\$2.154 million

Output: Financial and Economic Policy				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
State Contribution (\$000)	3	30,640	29,884	31,210
Other Revenue (\$000)	3	4,535	2,299	2,383
Total Cost (\$000)	3	35,175	32,183	33,593
<p>Notes:</p> <ol style="list-style-type: none"> 1. The National Competition Policy (NCP) related measures previously reported in the 2005-06 MPS have been removed as the last NCP report under the ten year agreement has been completed and submitted to the National Competition Council. The Council of Australian Governments is currently discussing a new competition and national reform agenda. 2. Following a review of output performance measures a range of measures have been amended, added and deleted to provide more meaningful and robust output measurement. 3. Refer to the 'Output Income Statement – Financial and Economic Policy' on page 1-14. 				

Output Income Statement – Financial and Economic Policy

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue		30,640	29,884	31,210
User charges	1	4,171	1,784	2,020
Grants and other contributions		..	..	..
Other Revenue		364	515	363
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		35,175	32,183	33,593
Expenses				
Employee expenses	2	21,805	21,600	22,845
Supplies and services	1	10,976	8,555	8,947
Grants and subsidies		420	..	..
Depreciation and amortisation		910	699	712
Finance/borrowing costs		..	..	..
Other expenses	3	1,064	1,329	1,089
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		35,175	32,183	33,593
OPERATING SURPLUS/(DEFICIT)		..	..	..
Notes: 1. The decrease in the 2005-06 Estimated Actual and 2006-07 Estimate is primarily due to a reduction in anticipated expenses associated with major projects. As the expenses were not incurred at budgeted levels, the anticipated revenue reimbursed for these expenses was also reduced. 2. The increase in the 2006-07 Estimate is due primarily to the estimated impact of Enterprise Bargaining Agreements. 3. The increase in the 2005-06 Estimated Actual reflects cost sharing arrangements in place with a range of projects occurring within other agencies and jurisdictions.				

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 its Government-owned corporations (GOCs). This includes ensuring 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 GOCs operate in open and competitive markets subject to the principle of competitive neutrality. OGOC's activities, particularly in the transport and electricity sectors, help ensure competitive and cost-effective infrastructure and services to support social and economic development.

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 GOCs' 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 relating to GOCs.

REVIEW OF OUTPUT PERFORMANCE

Recent Achievements

OGOC's focus on an effective management framework for GOCs has produced the following achievements:

- monitored GOC operational and financial performance, with a focus on the provision and management of essential infrastructure
- completed the annual SCI process for each GOC in accordance with Government's shareholding interests and legislative timeframes

- monitored GOC governance to ensure GOCs have effective risk management, corporate governance and performance monitoring systems in place
- completed the Energy Review, which resulted in the decision to restructure aspects of the Government's Energy GOC ownership
- assessed various GOC investment proposals
- monitored the impact of the new International Financial Reporting Standards on GOCs' financial reporting.

Future Developments

During 2006-07 this output will focus on the following key priorities:

- monitoring GOC operational and financial performance and reviewing OGOC's performance monitoring processes
- working with GOCs to develop SCIs in accordance with the Government's shareholding interests and legislative timeframes
- assessing GOC investment proposals
- enhancing the GOC governance and accountability framework, with a particular focus on the governance arrangements for GOC chief and senior executives
- implementing the outcome of the Government's Energy Review
- ongoing monitoring of the impact of industrial relations issues on GOCs including the transition to the Commonwealth Government's *WorkChoices* regime.

OUTPUT STATEMENT

Output: GOC Performance and Governance				
Measures	Note	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Number of GOC Statements of Corporate Intent completed		18	18	18
Number of performance monitoring reports completed		72	72	72
Quality				
Percentage of Ministerial correspondence prepared to agreed Treasury standards		95%	95%	95%
Timeliness				
Percentage of Statements of Corporate Intent (SCIs) received and reviewed within the scheduled timeframe		95%	95%	95%
Cost (\$)				
Net cost of monitoring and governance per GOC		\$0.17 million	\$0.16 million	\$0.17 million
State Contribution (\$000)	1	3,547	4,180	4,787
Other Revenue (\$000)	1	140	2,703	1,032
Total Cost (\$000)	1	3,687	6,883	5,819
Note: 1. Refer to the 'Output Income Statement – GOC Performance and Governance' on page 1-18.				

Output Income Statement – GOC Performance and Governance

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue		3,547	4,180	4,787
User charges	1	114	2,628	983
Grants and other contributions		..	..	..
Other Revenue		26	75	49
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		3,687	6,883	5,819
Expenses				
Employee expenses	2	2,946	3,365	3,995
Supplies and services	3	599	3,244	1,473
Grants and subsidies		..	..	..
Depreciation and amortisation		91	119	116
Finance/borrowing costs		..	..	..
Other expenses	4	51	155	235
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		3,687	6,883	5,819
OPERATING SURPLUS/(DEFICIT)		..	..	..
Notes: <ol style="list-style-type: none"> 1. The increase in the 2005-06 Estimated Actual and subsequent decrease in the 2006-07 Estimate reflects the reimbursement of the Energy Review consultancy expense incurred on behalf of the Energy GOCs. 2. The increase in the 2005-06 Estimated Actual and 2006-07 Estimate is due to economic modelling staff being transferred to this output during 2005-06. Full year costs are reflected for these staff in the 2006-07 Estimate. 3. The increase in the 2005-06 Estimated Actual and subsequent decrease in the 2006-07 Estimate reflects the level of consultancy expenditure undertaken on behalf of the GOCs for which reimbursement is received – see note 1. 4. The increase in the 2005-06 Estimated Actual and 2006-07 Estimate is due to economic modelling staff being transferred to this output during 2005-06. Full year costs are reflected for these functions in the 2006-07 Estimate. 				

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 modelling and research services, and specific statistical and data management services to support improved planning, decision making, policy development and resource allocation.

The economic and statistical research output contributes to the Government's priorities by coordinating a broad range of statistics, policies and services to enhance the evidence base for policy evaluation and performance measurement.

REVIEW OF OUTPUT PERFORMANCE

Recent Achievements

Significant recent achievements include:

- conducted a twice-yearly Queensland Household Survey to obtain up-to-date information from over 6,000 Queensland householders in relation to a range of issues including the usage of computers and the internet, management of environmental issues, awareness of legal services and energy usage in the home
- completed several large projects on behalf of the Department of Education and the Arts. These included the Next Step Destination Survey of Year 12 Students and commencement of the Computers for Teachers trial evaluation of 1,500 primary and secondary school teachers across Queensland
- completed drafting and consultation of the 2006 Project Evaluation Guidelines (PEG). The PEG seeks to improve the use and quality of financial and economic evaluation (including cost-benefit analysis) undertaken for projects and policies being considered by Government. The PEG are currently being incorporated into the Project Awareness Framework.
- undertook a range of economic modelling and analysis projects including the preparation of forecasts of goods and services tax receipts, application of the Queensland General Equilibrium Model to model the impact of changes in petrol prices and formation of the economic outlook for the State Budget
- continued to conduct surveys assessing gambling patterns and behaviour for the Queensland Office of Gaming Regulation

- expanded the Register of Strategic Information and implemented a node of the National Data Network to enable greater access to, and use of, data by the Queensland Government. Collaborated with the Information Queensland (IQ) initiative to establish statistical standards and provide statistics to the IQ portal
- completed, through the Queensland Spatial Information Office, activities to optimise the use of spatial information resources, including the successful review of information licensing arrangements leading to the development of a whole-of-Government information licensing framework, as well as the completion of rural address implementation throughout eligible Local Governments in Queensland
- developed a small area statistical information system, the Communities Statistical Information System, and an online regional reporting application which successfully support the Department of Communities' Needs-based Planning and Resource Allocation Framework.
- completed the statistical forecasting and coordination activities associated with Queensland's population reaching the four million milestone on 9 December 2005
- developed an awareness campaign focused on Indigenous, rural, remote and gated communities in support of the National Census of Population and Housing 2006.

Future Developments

During 2006-07 this output will focus on the following key priorities:

- maintaining and enhancing rigorous economic and social research agendas relating to the economic and social advancement of the State, involving partnerships with government, industry and universities
- maintaining and enhancing a suite of economic and social models, methodologies and standards, and promoting their availability, transparency and use across Government and the general community, in support of Queensland Government's strategic policies
- increasing the provision of high quality statistical information products and services which contribute to the transparency, accountability and operational efficiency of Government
- improving statistical coordination and policy across Government through leadership of significant statistical initiatives, contributing to whole-of-Government and national improvements in statistical quality
- enhancing statistical survey capabilities, including implementing large-scale surveys and improvements in statistical services and methodologies for the collection of data and evaluation of programs
- finalising 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.

OUTPUT STATEMENT

Output: Economic and Statistical Research				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Survey, data processing or data construction projects	1	85	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		90	85	100
Number of Internet hits on OESR web site	2	1.35 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)	3	15	45	45
Number of statistical standards or guidelines published	4	15	8	n/a
Factual answers to requests for information	5	3,000	2,600	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		\$3.5 million	\$3.8 million	\$3.9 million

Output: Economic and Statistical Research				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
State Contribution (\$000)	6	8,470	8,697	9,192
Other Revenue (\$000)	6	3,925	4,266	4,369
Total Cost (\$000)	6	12,395	12,963	13,561
<p>Notes:</p> <ol style="list-style-type: none"> 1. The decrease in the 2005-06 Estimated Actual is due to changes in the calculation methodology to better reflect the purpose of the measure. 2. The decrease in the 2005-06 Estimated Actual is due to a more accurate method of calculating 'hits' on the OESR web site. All page requests by search engine web crawlers are now being excluded from site metrics. 3. The increase in the 2005-06 Estimated Actual is due to the addition of Queensland Spatial Information Council activities, and increased activities relating to the 2006 Census of Population and Housing. 4. This measure has been consolidated with "Data Dissemination outputs including official publications, client reports or databases". 5. The decrease in the 2005-06 Estimated Actual is due to a reduction in the number of "quick" Requests for Information (i.e. phone requests of less than 5 minutes). This is the result of OESR initiatives such as 'quick statistics' on the OESR web site home page and the inclusion of many new statistical tables. The predicted increase for the 2006-07 Target Estimate is based on an increasing demand for data to support evidence-based planning across all sectors of government. 6. Refer to the 'Output Income Statement – Economic and Statistical Research' on page 1-23. 				

Output Income Statement – Economic and Statistical Research

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue		8,470	8,697	9,192
User charges	1	3,858	4,149	4,319
Grants and other contributions		..	..	..
Other Revenue		67	117	50
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		12,395	12,963	13,561
Expenses				
Employee expenses	2	7,786	7,794	8,400
Supplies and services	3	3,561	4,268	4,042
Grants and subsidies		31	31	31
Depreciation and amortisation		648	521	433
Finance/borrowing costs		..	..	..
Other expenses	4	369	349	655
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		12,395	12,963	13,561
OPERATING SURPLUS/(DEFICIT)		..	..	..
Notes: <ol style="list-style-type: none"> 1. The increase in the 2005-06 Estimated Actual and the 2006-07 Estimate is due to additional survey work being undertaken, as well as the transfer of the Queensland Spatial Information Office from the Department of Natural Resources, Mines and Water to Queensland Treasury. 2. The increase in the 2006-07 Estimate is due primarily to the estimated impact of Enterprise Bargaining Agreements. 3. The increase in the 2005-06 Estimated Actual and the 2006-07 Estimate is primarily due to costs associated with additional survey work. 4. The increase in the 2006-07 Estimate reflects the impending expenditure for marketing of the 2006 Census of Population and Housing. 				

OUTPUT PERFORMANCE

OUTPUT: **Taxation**

RELATED OUTCOME: **Delivering responsive government**

DESCRIPTION

This output comprises the Office of State Revenue's (OSR's) delivery and administration of 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
- 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:

- improved revenue management through provision of responsive and ongoing legislation and revenue policy advice to Government
- implemented the Government's 2005-06 revenue initiatives relating to land tax and changes to transfer duty rates and home concession thresholds
- advised Government on the revenue management implications of revenue amendments
- implemented Release One (payroll tax) of the Revenue Management System and continued development towards Release Two (duties)
- effected the abolition of debits tax, lease duty and credit business duty, as announced in the 2005-06 State Budget

- continued the application of the client relationship management strategy through progressing a compliance model, implementing a client support program of public seminars for duties self assessors and launching a new client charter
- finalised modernisation of payroll tax administration through the extended implementation of the *Taxation Administration Act 2001*, new technology systems and new business processes
- improved and expanded self-assessment through the introduction of e-business initiatives for payroll tax with supporting voluntary compliance and investigations strategies
- processed approximately \$7.2 billion in revenue and grant transactions
- managed revenue within agreed service standards by continually reviewing resources, systems and procedures against best practice measures.

Future Developments

During 2006-07 this output will focus on the following key priorities:

- implementing the Government's revenue initiatives including collection of taxes and duties and delivery of grants and subsidy payments
- managing and improving revenue management by providing responsive and ongoing legislation and revenue policy advice to Government
- effecting the increase in the tax-free threshold for payroll tax from 1 July 2006
- effecting the increase in the tax-free threshold for land tax for resident individuals
- effecting the abolition of hire duty and transfer duty on unlisted marketable securities from 1 January 2007, as announced in the 2005-06 State Budget
- continuing to develop and implement the Revenue Management System
- progressing the implementation of the compliance model
- continuing the improvement and expansion of self-assessment through e-business initiatives, with supporting voluntary compliance and investigations strategies
- processing approximately \$7.8 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	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Amount of revenue and grants administered	1	\$6.7 billion	\$7.2 billion	\$7.8 billion
Number of amendment provisions including subordinate legislation developed		5	5	5
Number of First Home Owner Grant (FHOG) applications	2	22,600	24,170	25,300
Number of fuel subsidy payments		24,200	24,200	24,200
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%	98%	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		95%	91%	90%
Policy advice, briefings and Ministerial correspondence within deadlines		90%	90%	90%
Revenue collected within service standards		95%	95%	95%
Cost (\$)				
Total Revenue \$ administered per \$ expended		\$180	\$193	\$199
State Contribution (\$'000)	3	42,634	43,046	46,287
Other Revenue (\$'000)	3	1,550	2,234	1,985
Total Cost (\$'000)	3	44,184	45,280	48,272
Notes: 1. The increase in the 2005-06 Estimated Actual is a result of higher than expected Transfer Duty due to the housing market's continuing growth as well as a growth in the non-residential market. Also a strong employment market and wages growth resulted in higher than expected Payroll Tax. The increase in the 2006-07 Target is a result of changes to Transfer Duty announced in the Special Fiscal and Economic Statement as well as continued strength in Transfer Duty, Payroll Tax and Land Tax (three year average). 2. The increase in the 2005-06 Estimated Actual and 2006-07 Target is due to the firming of the first home buyers market back to the long-term average. 3. Refer to the 'Output Income Statement – Taxation' on page 1-27.				

Output Income Statement – Taxation

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue	1	42,634	43,046	46,287
User charges		1,321	1,444	1,457
Grants and other contributions		..	..	..
Other Revenue		229	790	528
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		44,184	45,280	48,272
Expenses				
Employee expenses	2	24,468	24,251	26,381
Supplies and services	3	14,576	16,683	16,141
Grants and subsidies		..	..	..
Depreciation and amortisation	4	4,294	3,320	4,590
Finance/borrowing costs		..	..	..
Other expenses		846	1,026	1,160
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		44,184	45,280	48,272
OPERATING SURPLUS/(DEFICIT)		..	..	..
Notes: <ol style="list-style-type: none"> The increase in the 2006-07 Estimate is due to the estimated impact of Enterprise Bargaining Agreements (see note 2) and delays in the capitalisation of the Revenue Management System (RMS) (see note 4). The increase in the 2006-07 Estimate is due in part to the estimated impact of Enterprise Bargaining Agreements as well as the full year effect of filling vacancies on a long term basis. The increase in the 2005-06 Estimated Actual is due to the use of temporary staff, the increased use of contractors for RMS project planning, and building maintenance expenditure. The decrease in the 2005-06 Estimated Actual is due to delays in the RMS project and its capitalisation, which has postponed the associated amortisation expense. The increase in the 2006-07 Estimate is due to the capitalisation and subsequent amortisation of 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, and managing the allocation of funds for community benefit.

To deliver this output QOGR undertakes a number of activities including:

- 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:

- commenced reviewing the scheme for reallocating gaming machine operating authorities in hotels
- implemented a new State-wide risk-based audit methodology process for machine gaming in clubs and hotels
- commenced auditing the private sector/third party involvement in the operation of clubs with gaming machines
- commenced five-year individual and organisational gaming machine licence renewals on 1 July 2005 with all licences being renewed by the due date
- undertook consultation with stakeholders as part of the review of the *Gaming Machine Act 1991*

- completed the major redevelopment of the main business application used by the office to meet changed business needs and reduce business risk
- published the 2003-04 Queensland Household Gambling Survey, one of the largest surveys of gambling activity undertaken anywhere in the world. This survey estimated problem gamblers at 0.55% of the total adult population of Queensland which is a decrease on 0.83% estimated in the previous survey
- conducted the Responsible Gambling community awareness campaign, the first time an extensive early intervention and prevention campaign of this type has been undertaken in Australia
- conducted a review of the gambling help services system within Queensland
- published the Responsible Gambling Training Kit and distributed it throughout Queensland
- trialled an electronic gaming machine card-based system in the field which included responsible gambling initiatives such as pre-commitment amounts
- completed approvals for the first phase of Conrad Jupiters' \$53.5 million construction and refurbishment project, scheduled for completion and progressive opening to the public through the second half of 2006
- finalised amendments to the *Breakwater Island Casino Agreement Amendment Act* which regulates development of the Townsville Hotel Casino complex and surrounding areas
- distributed \$33.7 million in grants from the Gambling Community Benefit Fund for the period 1 April 2005 to 31 March 2006, for 2,142 projects to be undertaken by Queensland community organisations
- established the Golden Casket Foundation in April 2005, a key addition to the successful *Smart State Strategy*, with the first funding round launched in August 2005, committing funds totalling \$923,654 to five health and medical research projects.

Future Developments

During 2006-07 this output will focus on the following key priorities:

- reviewing the scheme for the reallocation of gaming machine operating authorities in hotels
- continuing with the review of the *Gaming Machine Act 1991*
- implementing further initiatives to the risk-based audit programs for machine gaming in clubs and 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

- completing the remaining approvals for the Conrad Jupiters' \$53.5 million construction and refurbishment project
- reviewing the *Queensland Responsible Gambling Strategy*
- implementing outcomes from the gambling help service system review
- commencing the third phase of the evaluation of the *Responsible Gambling Code of Conduct*
- providing gambling policy advice based on rigorous social and economic research
- distributing an estimated \$34 million in grants from the Gambling Community Benefit Fund
- distributing an estimated \$1.2 million in grants from the Golden Casket Foundation
- increasing cooperation between Australian and international jurisdictions to assist with integrated responses to issues.

OUTPUT STATEMENT

Output: Gambling				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 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	70%	75%	75%
Suitability of all gambling participants and systems proven to be satisfactory		95%	95%	95%
People using intervention services who report a decrease in their gambling problems	2	65%	n/a	n/a
Timeliness License applications processed within set time		90%	90%	90%
Gambling Community Benefit Fund applications processed within set times		95%	95%	95%
State Contribution (\$000)	3	17,824	17,254	3,879
Other Revenue (\$000)	3	19,116	18,000	34,408
Total Cost (\$000)	3	36,940	35,254	38,287
Notes: 1. The targets have been adjusted to reflect an increased commitment by stakeholders to the use of the Code of Practice proactively promoting Responsible Gambling and commitment to other harm minimisation initiatives. 2. This performance measure was discontinued due to the unavailability of sufficient statistical data to support its measurement, however the latest Queensland Household Gambling Survey results show there is a higher than anticipated level of awareness of gambling help signs in gambling venues. 3. Refer to the 'Output Income Statement – Gambling' on page 1-32.				

Output Income Statement – Gambling

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue	1	17,824	17,254	3,879
User charges	2	18,851	17,689	34,144
Grants and other contributions		..	..	..
Other revenue		265	311	264
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		36,940	35,254	38,287
Expenses				
Employee expenses	3	17,737	17,285	18,988
Supplies and services	4	10,190	10,347	11,241
Grants and subsidies	5	5,413	4,643	5,650
Depreciation and amortisation		1,285	802	1,021
Finance/borrowing costs		..	..	..
Other expenses		2,315	2,177	1,387
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		36,940	35,254	38,287
OPERATING SURPLUS/(DEFICIT)		..	..	..
<p>Notes:</p> <ol style="list-style-type: none"> 1. The decrease in the 2006-07 Estimate reflects the change in funding for QOGR from appropriation to the Community Investment Fund effective from 1 July 2006. 2. The decrease in the 2005-06 Estimated Actual is due to delays with the Indigenous Research Project and negotiations to be finalised for the Responsible Gambling Research Grants. The increase in the 2006-07 Estimate reflects the change in funding – see note 1. 3. The increase in the 2006-07 Estimate is due primarily to the estimated impact of Enterprise Bargaining Agreements. 4. The increase in the 2006-07 Estimate is due to the engagement of consultancies for the Indigenous Campaign and Responsible Gambling Research Projects which will now commence in 2006-07. 5. The decrease in the 2005-06 Estimated Actual and corresponding increase in the 2006-07 Estimate is due to the Indigenous Research Project and Responsible Gambling Research Grants commencing in 2006-07. 				

OUTPUT PERFORMANCE

OUTPUT: **Superannuation**

RELATED OUTCOME: **Delivering responsive government**

DESCRIPTION

The Government Superannuation Office (GSO) administers the State Public Sector Superannuation Fund (QSuper), the Parliamentary Contributory Superannuation Fund and the pension entitlements of judges. This includes providing policy advice to the Government and Trustees on products, services and administration of legislation in relation to the management of superannuation for current and former Queensland public sector employees and their spouses. The GSO also administers the State Government's long service leave provision fund for Queensland public sector agencies.

To deliver this output the GSO undertakes a number of activities including:

- 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:

- commenced implementing contribution splitting and transition to retirement arrangements to allow members more flexibility in attaining a better lifestyle in retirement
- delivered high quality superannuation and general financial education by adding comprehensive financial education tools to the redeveloped QSuper website
- developed and launched an information strategy aimed at helping women to address their shortfall in retirement income
- implemented a tailored approach to member communication, including the development of material based on member demographics.

Future Developments

The GSO will continue implementing the initiatives identified in the strategic vision for QSuper for the period 2005 - 2008. The strategic vision, developed in consultation with the QSuper Board, addresses expected changes in the superannuation industry in the short term, including heightened competition and changing expectations of fund members. The GSO will continue focussing on four key areas:

- branding and product attributes to position QSuper as a leading superannuation provider and industry expert providing retirement lifestyle solutions
- developing products focusing on the core superannuation offering, supporting members in achieving a better lifestyle in retirement and also delivering services over multiple channels and tailored where possible to suit members' needs
- delivering high quality superannuation and general financial education through the QSuper website and tailored publications to improve the financial literacy of members
- marketing QSuper through proactive, scientific and targeted contact with members, including personalised materials and retention programs.

OUTPUT STATEMENT

Output: Superannuation				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity Percentage of members who elect to retain their voluntary monies with QSuper	1	70%	75%	80%
Quality Satisfaction of stakeholders with the delivery of products and services	2	100%	93%	n/a
Delivery of the QSuper Strategic Plan	2	n/a	n/a	80%
Percentage of external audits resulting in no qualifications		100%	100%	100%
Timeliness Meeting the performance benchmarks in the QSuper Trustees Administration Mandate and other agreements in place for the administration of funds other than QSuper		95%	95%	95%
Cost (\$) Administration costs per member are within the lowest quartile when benchmarked to peers		100%	100%	100%
State Contribution (\$000)	3	5,396	6,043	6,119
Other Revenue (\$000)	3	41,321	45,729	47,090
Total Cost (\$000)	3	46,717	51,772	53,209
Notes: 1. The 2006-07 Target has been adjusted to reflect current rates of retention. 2. The performance measure in relation to stakeholder satisfaction has been replaced by a quality measure which is more regularly reported. For the 2006-07 financial year, quality will be measured by reference to the GSO's progress in delivering the QSuper Board of Trustees endorsed QSuper Strategic Plan. The Plan outlines a range of initiatives to enhance the level of services provided to members. 3. Refer to the 'Output Income Statement – Superannuation' on page 1-36.				

Output Income Statement – Superannuation

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue		5,396	6,043	6,119
User charges	1	40,538	44,658	46,210
Grants and other contributions		..	..	..
Other revenue		783	1,071	880
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		46,717	51,772	53,209
Expenses				
Employee expenses	2	25,117	25,876	27,728
Supplies and services	3	14,023	18,701	18,171
Grants and subsidies		..	..	..
Depreciation and amortisation		3,978	3,684	3,833
Finance/borrowing costs		..	..	..
Other expenses		3,599	3,511	3,477
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		46,717	51,772	53,209
OPERATING SURPLUS/(DEFICIT)		..	..	..
Notes: 1. User charges are determined on the basis of full cost recovery and the 2005-06 Estimated Actual and the 2006-07 Estimate reflect an increase in expected operating expenditure as detailed in the notes below. 2. The increase in the 2006-07 Estimate is primarily due to the estimated impact of Enterprise Bargaining Agreements. 3. The increase in the 2005-06 Estimated Actual reflects the use of additional resources to implement strategic initiatives approved by the QSuper Board of Trustees. These initiatives were undertaken to provide enhanced service in areas of growing volume at QSuper.				

OUTPUT PERFORMANCE

OUTPUT: **Shared Service Implementation**

RELATED OUTCOME: Delivering responsive government

DESCRIPTION

The Shared Service Initiative (SSI) is a whole-of-Government project with the vision of delivering high quality, cost-effective corporate services across the Queensland Government. This is being achieved through realising economies of scale and skills and standardising business processes, and will result in corporate services that are sustainable and innovative.

The Shared Service Implementation Office (SSIO) is a temporary office within Treasury until 30 June 2006, and has been responsible for implementing the Government's vision for shared corporate services in partnership with the shared service providers (SSPs), CorpTech, agencies and internal-to-Government service providers.

SSIO has lead the evolution and refinement of the whole-of-Government model for shared service delivery by ensuring that the implementation of the SSI has been coordinated, effective, efficient and equitable. SSIO has also provided a stewardship and program management role during the development of business changes and information technology solutions to drive efficient and effective corporate service delivery.

Activities undertaken by SSIO have included:

- communicated the vision for shared services and engaging stakeholders internal and external to Government
- lead the evolution and refinement of a whole-of-Government model for shared service delivery
- partnered with SSPs, CorpTech, agencies and internal-to-Government service providers to ensure the ongoing viability of the SSI
- planned, analysed, monitored and reported progress to stakeholders on the implementation of the Shared Service Initiative ensuring a coordinated, effective, efficient and equitable process.

REVIEW OF OUTPUT PERFORMANCE

Recent Achievements

Significant recent achievements include:

- supported the development and implementation of business solutions to deliver standardised corporate services, including finance, human resource management, and documents and records management
- progressed the implementation of the blueprint for regional shared corporate service delivery

- coordinated and reviewed the implementation of a standard suite of services for shared service providers
- progressed the accommodation strategy including co-location of providers both in Brisbane and regionally
- refined the SSI's performance management framework particularly focusing on performance measurement and data integrity
- engaged stakeholders internal and external to Government on the changing landscape and business benefits resulting from shared services
- continued to refine the shared service model to ensure optimal efficiency and effectiveness in corporate service delivery
- progressed workforce capability strategies including coordinating implementation of training and development opportunities for corporate services staff
- continued to plan and manage risks of the SSI implementation.

Future Developments

From 1 July 2006 the hosting arrangements for the shared service providers (SSPs) CorporateLink, PartnerOne and Corporate Solutions Queensland will be consolidated from three host agencies to the Shared Service Agency (SSA) hosted by Treasury Department. The SSA will also provide policy and program management for the whole-of-Government Shared Service Initiative, including some activities previously undertaken by SSIO.

OUTPUT STATEMENT

Output: Shared Services Implementation¹				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Percentage of identified SSI skills gaps addressed through training		80%	80%	..
Number of reports on SSIO progress against Whole-of-Government Implementation Plans		4	4	..
Operating level agreements in place for core corporate servicing across all agencies		100%	100%	..
Quality				
Satisfaction with management of shared services implementation:				
• CEO and key managers;		80%	80%	..
• government		100%	100%	..
Peak implementation bodies' minimum level of satisfaction with the design and implementation of business solutions		80%	100%	..
Timeliness				
Achievement of key deliverables in SSIO Implementation Plan		100%	100%	..
Provision of policy advice, briefings, ministerial correspondence within agreed time frames		95%	100%	..
Cost (\$)				
SSIO operating expenses as % of total SSI expenditure		<5%	<5%	..
State Contribution (\$'000)	2	6,435	6,468	..
Other Revenue (\$'000)	2	236	320	..
Total Cost (\$'000)	2	6,671	6,788	..
Notes: 1. SSIO will cease to exist on 1 July 2006 and its policy functions will transfer to the newly established Shared Service Agency. 2. Refer to the 'Output Income Statement – Shared Service Implementation' on page 1-40.				

Output Income Statement – Shared Service Implementation

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue		6,435	6,468	..
User charges		113	143	..
Grants and other contributions		..	..	..
Other Revenue		123	177	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		6,671	6,788	..
Expenses				
Employee expenses		3,204	3,643	..
Supplies and services	1	940	1,211	..
Grants and subsidies	2	2,300	1,628	..
Depreciation and amortisation		103	92	..
Finance/borrowing costs		..	..	..
Other expenses	3	124	214	..
Losses on sale/revaluation of property, plant and equipment and investments				
Total expenses		6,671	6,788	..
OPERATING SURPLUS/(DEFICIT)		..	..	..
Notes: <ol style="list-style-type: none"> The increase in the 2005-06 Estimated Actual is attributed to the engagement of contractors to complete specialised projects to implement a whole-of-government costing and pricing methodology and to design the regional network architecture for the Shared Service Initiative. The reduction in the 2005-06 Estimated Actual reflects the decline in grant payments to CorpTech as the business transformation functions have transferred to SSIO. The increase in the 2005-06 Estimated Actual is due to the engagement of the OESR to facilitate the development of the client/customer and staff surveys for the initiative. 				

ADMINISTERED ITEMS

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

In addition, Treasury administers significant grants and subsidies programs such as the First Home Owners 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

Transfer Duty

As part of the *Special Fiscal and Economic Statement* released in October 2005, the Government announced changes to transfer duty. These changes will assist in funding the *Health Action Plan*.

From 1 July 2006, rates of duty payable on property transfers will increase for transfers with dutiable values over \$500,000. The rate for transfers valued between \$500,000 and \$700,000 will increase from 3.75% to 4.00%, with the rate above \$700,000 increasing from 3.75% to 4.50%. At the same time, the threshold for the principal place of residence concession will increase from \$300,000 to \$320,000. These changes will ensure that buyers of homes valued below \$700,000 will not pay more.

Despite the duty increases, the Queensland transfer duty system will remain competitive with those in other states. Queensland will continue to have the lowest overall standard duty between \$250,000 and \$1,000,000. Queensland will also continue to have the most comprehensive transfer duty concessions for purchases of a principal place of residence.

As part of the 2006-07 Budget the Government has also announced a first home buyer transfer duty concession for the purchase of vacant land.

Payroll Tax

In this Budget, the Government has announced an increase in the payroll tax exemption threshold from its current \$850,000 to \$1 million from 1 July 2006. The increase in the threshold to \$1 million will reduce by approximately 600 the number of employers in the payroll tax base in 2006-07.

Land Rich Duty

As a revenue protection measure, the land rich duty provisions will be strengthened by reducing the land component threshold of a land rich company or trust's total assets from the current 80% to 60%. In addition, the ownership trigger will be adjusted from 'more than 50%' to '50% or more' for land rich companies and certain land holding trusts. These changes bring Queensland into line with most other states.

Land Tax

In this Budget, further land tax relief will be delivered by increasing the tax free threshold for resident individuals from the current \$450,000 to \$500,000.

Review of State Taxes

As part of the Review of State Taxes, Queensland committed to abolishing a number of duties. The Government has completed the first tranche of duty abolitions, with the abolition of credit business and lease duties from 1 January 2006. Five state taxes have been abolished since the introduction of the GST.

A further four taxes are scheduled to be abolished. Hire duty and transfer duty on unquoted marketable securities will be abolished from 1 January 2007, with mortgage duty and duty on the transfer of core business assets to be abolished in the years following.

CAPITAL ACQUISITIONS

Treasury's key infrastructure requirements are primarily intellectual capital and technology solutions. The majority of capital acquisitions for 2006-07 relate to projects which support initiatives such as the development of e-commerce capabilities in the Taxation output and the replacement of operational assets which provide Treasury's key infrastructure of intellectual capital and software solutions needs.

The most significant capital purchases are for the:

- Office of State Revenue's continued development and implementation of the Revenue Management System designed to enhance information technology and management. The system is designed to employ contemporary technology to provide revenue and information management and e-business capability to better service the Government and people of Queensland.
- Queensland Office of Gaming Regulation's improvement of business systems to incorporate new office functionality and business requirements into the Corporate Office of Gaming Systems to assist in improving information and communication systems and practices in the office which supports the Government's outcome of delivering responsive government.
- Continuing implementation of the Electronic Documents and Records Management System (eDRMS) within Treasury. The implementation requires significant process change and improved information management practices in order to achieve efficiency and effectiveness benefits. Enhanced outputs such as improved turnaround time for policy advice and improved quality of advice and decisions are expected from adopting the eDRMS. These benefits will be driven through improved management of electronic and hard copy forms of information. Implementing an eDRMS will also assist Treasury in meeting legislative requirements and standards for information and records management.

CAPITAL ACQUISITION STATEMENT

	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
<u>PROPERTY PLANT AND EQUIPMENT</u>				
Property Plant and Equipment	1			
- Asset Replacement		3,931	6,328	2,283
- OSR Business/Revenue Management System		320	586	..
- Documents and Records Management Improvement Project (eDRMS)		272	506	174
Other acquisitions of property, plant and equipment		..	..	..
TOTAL PROPERTY PLANT AND EQUIPMENT		4,523	7,420	2,457
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other Capital Acquisitions	2 3 4			
- Asset Replacement		377	1,251	712
- OSR Business/Revenue Management System		6,894	6,835	9,001
- QOGR Systems Development		772	1,065	700
- Documents and Records Management Improvement Project (eDRMS)		858	899	552
Other Items		122	304	121
TOTAL OTHER CAPITAL ACQUISITIONS		9,023	10,354	11,086
TOTAL CAPITAL ACQUISITIONS		13,546	17,774	13,543
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity Adjustment	5	4,487	4,944	3,125
Funding for depreciation and amortisation		11,416	9,674	11,280
Borrowings		..	..	..
Proceeds of asset sales		..	..	..
Other		(2,357)	3,156	(862)
TOTAL FUNDING SOURCES		13,546	17,774	13,543
Notes: 1. The increase in the 2005-06 Estimated Actual reflects Treasury's replacement program to ensure key infrastructure of intellectual capital and software solutions needs are provided in stable and up to date environments which includes the completion of three significant QSuper IT projects in 2005-06. 2. Refer to Note 1 above. 3. The increase in the 2006-07 Estimate is due to the nature of the work planned for 2006-07 which includes the completion of RMS Release 2 and the corresponding Revenue Base Management system. 4. The increase in the 2005-06 Estimated Actual is due to the increased scope of the COGS redevelopment project. The decrease in the 2006-07 Estimate is due to finalisation of the COGS Redevelopment in 2005-06. Future enhancements are planned for 2006-07. 5. This item represents the increases and decreases in cash reserves needed to fund capital expenditure.				

DEPARTMENTAL FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue	1	116,066	116,706	103,290
User charges	2	62,662	67,779	85,249
Grants and other contributions		..	13	..
Other revenue	3	1,916	2,966	2,250
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		180,644	187,464	190,789
Expenses				
Employee expenses	4	103,314	104,711	109,426
Supplies and services	5	50,792	59,287	57,856
Grants and subsidies		7,442	5,774	4,013
Depreciation and amortisation	6	11,416	9,674	11,280
Finance/borrowing costs		..	..	..
Other expenses		7,680	8,018	8,214
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		180,644	187,464	190,789
OPERATING SURPLUS/(DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Net effect of the adoption of a new accounting standard	7	(4,616)	(4,915)	..
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		(4,616)	(4,915)	..
Surplus/(deficit) for the period		..	..	..
Total recognised income and expense for the period		(4,616)	(4,915)	..
Equity injection/(withdrawal)	8	4,487	4,944	3,125
Equity adjustments (MoG Transfers)		..	..	437
Total movement in equity for period		(129)	29	3,562

BALANCE SHEET

	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets	9	24,246	25,709	26,556
Receivables	10	11,855	9,314	9,571
Inventories		7	9	9
Other		1,966	2,053	2,115
Non-financial assets held for sale		..	..	..
Total current assets		38,074	37,085	38,251
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment	11	24,078	24,751	21,462
Intangibles	12	25,071	25,990	31,539
Other		..	..	..
Total non-current assets		49,149	50,741	53,001
TOTAL ASSETS		87,223	87,826	91,252
CURRENT LIABILITIES				
Payables		7,783	7,702	7,571
Transfers to Government payable		..	..	..
Accrued employee benefits		8,913	9,635	9,669
Interest-bearing liabilities		..	..	..
Provisions		17	..	..
Other		75	19	19
Total current liabilities		16,788	17,356	17,259
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities		..	..	..
Accrued employee benefits		1,108	1,299	1,260
Provisions		..	..	..
Other		80	75	75
Total non-current liabilities		1,188	1,374	1,335
TOTAL LIABILITIES		17,976	18,730	18,594
NET ASSETS/(LIABILITIES)		69,247	69,096	72,658
EQUITY				
Capital/Contributed equity	13	37,598	37,667	41,229
Retained surplus/(Accumulated deficit)		31,649	31,429	31,429
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		69,247	69,096	72,658

CASH FLOW STATEMENT

	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Output receipts	14	116,066	116,586	103,290
User charges	15	61,464	65,504	84,959
Grants and other contributions		..	13	..
Other		1,915	2,964	2,250
Outflows:				
Employee costs	16	(102,964)	(104,361)	(109,063)
Supplies and services	17	(50,404)	(58,899)	(57,996)
Grants and subsidies		(7,442)	(5,774)	(4,013)
Borrowing costs		..	..	..
Other		(7,679)	(7,940)	(8,213)
Net cash provided by/(used in) operating activities		10,956	8,093	11,214
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	18	(4,524)	(7,420)	(2,457)
Payments for intangibles	19	(9,023)	(10,354)	(11,086)
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(13,547)	(17,774)	(13,543)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	20	7,213	7,213	8,245
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	21	(2,726)	(2,269)	(5,120)
Net cash provided by/(used in) financing activities		4,487	4,944	3,125
Net Increase/(decrease) in cash held		1,896	(4,737)	796
Cash at the beginning of financial year		22,363	30,459	25,709
Cash transfers from restructure		(13)	(13)	51
Cash at the end of financial year		24,246	25,709	26,556

INCOME STATEMENT

EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Revenues				
Commonwealth grants	22	8,000,778	7,915,039	8,074,968
Taxes, fees and fines	23	6,081,962	6,598,251	7,098,593
Royalties, property income and other territorial revenue		75,000	75,000	83,000
Interest	24	40,639	123,536	62,698
Administered item revenue	25	2,146,939	1,419,407	2,344,830
Other		6,534	6,980	5,971
Total revenues		16,351,852	16,138,213	17,670,060
Expenses				
Supplies and services		146,583	144,977	148,838
Grants and subsidies	26	885,586	822,707	885,439
Borrowing costs	27	26,109	1,568	59,020
Treasurer's Advance	28	100,000	..	100,000
Other	29	987,862	455,186	1,205,907
Total expenses		2,146,140	1,424,438	2,399,204
Net surplus or deficit before transfers to Government		14,205,712	14,713,775	15,270,856
Transfers of Administered Revenue to Government	30	14,192,584	14,697,130	15,290,610
OPERATING SURPLUS/(DEFICIT)	31	13,128	16,645	(19,754)

BALANCE SHEET

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets	32	(462,203)	(456,589)	(368,326)
Receivables		158,814	121,286	112,508
Other		252,719	245,798	246,799
Other financial assets	33	300,000	150,000	150,000
Total current assets		249,330	60,495	140,981
NON-CURRENT ASSETS				
Receivables		71,266	72,866	65,294
Other financial assets	33	..	300,000	150,000
Total non-current assets		71,266	372,866	215,294
TOTAL ADMINISTERED ASSETS		320,596	433,361	356,275
CURRENT LIABILITIES				
Payables		25,128	18,223	18,223
Transfers to Government payable		..	43,671	33,388
Interest-bearing liabilities		3,255	2,969	3,331
Other	34	42,453	107,791	67,461
Total current liabilities		70,836	172,654	122,403
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	35	828,798	17,300	1,786,969
Other		93,668	96,000	91,000
Total non-current liabilities		922,466	113,300	1,877,969
TOTAL ADMINISTERED LIABILITIES		993,302	285,954	2,000,372
ADMINISTERED NET ASSETS/(LIABILITIES)		(672,706)	147,407	(1,644,097)
EQUITY				
Capital/Contributed equity	36	(734,559)	75,720	(1,696,030)
Retained surplus/(Accumulated deficit)		61,853	71,687	51,933
TOTAL ADMINISTERED EQUITY		(672,706)	147,407	(1,644,097)

CASH FLOW STATEMENT

CASH FLOWS <u>ADMINISTERED</u> ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2005-06 Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Administered item receipts	37	2,146,939	1,404,482	2,344,830
Grants and other contributions	38	8,004,400	7,939,325	8,037,969
Taxes, fees and fines	39	6,081,962	6,593,524	7,098,593
Royalties, property income and other territorial revenues		75,000	72,799	83,000
Interest received	40	40,639	115,166	72,981
Other		(4,046)	25,906	(3,988)
Outflows:				
Transfers to Government		(14,192,584)	(14,887,933)	(15,300,893)
Grants and subsidies	41	(885,586)	(843,005)	(885,439)
Supplies and services		(147,584)	(145,978)	(149,839)
Borrowing costs	42	(26,109)	(1,568)	(59,020)
Treasurer's Advance	43	(100,000)	..	(100,000)
Other	44	(986,234)	(452,650)	(1,204,279)
Net cash provided by/(used in) operating activities		6,797	(179,932)	(66,085)
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Investments redeemed		..	..	150,000
Loans and advances redeemed		7,123	7,123	7,123
Outflows:				
Payments for investments	45	..	(150,000)	..
Loans and advances made		517	217	267
Net cash provided by/(used in) investing activities		7,640	(142,660)	157,390
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings	46	810,132	132	1,772,132
Equity injections	47	53,920	28,055	24,363
Outflows:				
Borrowing redemptions		(3,424)	(3,424)	(3,424)
Equity withdrawals	48	(863,920)	(27,755)	(1,796,113)
Net cash provided by/(used in) financing activities		(3,292)	(2,992)	(3,042)
Net increase/(decrease) in cash held		11,145	(325,584)	88,263
Administered cash at beginning of financial year		(473,348)	(131,005)	(456,589)
Administered cash at end of financial year		(462,203)	(456,589)	(368,326)

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Queensland Government entities adopted Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 1 July 2005. These Standards replace existing Australian Accounting Standards, with the exception of AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Government*.

With the introduction of AEIFRS, several Accounting Policy Guidelines (APGs) were amended to bring them into line with the new standards, and several additional policies were introduced to take effect on transition to AEIFRS. In particular, new asset recognition thresholds (contained in the Non-Current Asset Policies for the Queensland Public Sector) were introduced in the 2005-06 financial year and are effective from 1 July 2004. The 2005-06 Budget column in the financial statements does not reflect new asset recognition thresholds (consistent with the figures reported in the 2005-06 MPS), whilst the 2005-06 Est. Actual and 2006-07 Estimate columns do reflect new asset recognition threshold changes. Detailed notes are provided where these variances are significant.

Income Statement

1. The decrease in the 2006-07 Estimate reflects the change in funding for QOGR from Output revenue to the Community Investment Fund effective from 1 July 2006 and the abolition of SSIO from 1 July 2006.
2. The increase in the 2005-06 Estimated Actual is due to QSuper's basis of cost recovery being driven by its operating expenses which have increased. The increase in the 2006-07 Estimate reflects the change in funding for QOGR from Output revenue to the Community Investment Fund effective from 1 July 2006.
3. The increase in the 2005-06 Estimated Actual is due to higher than expected interest revenue.
4. The increase in the 2006-07 Estimate is due primarily to the estimated impact of Enterprise Bargaining Agreements.
5. The increase in the 2005-06 Estimated Actual is due to the increased use of contractors for OSR's Revenue Management System (RMS) project planning and the use of additional resources to implement QSuper strategic initiatives.
6. The decrease in the 2005-06 Estimated Actual is due to delays in capitalising the RMS, which has postponed the associated amortisation expense. The increase in the 2006-07 Estimate is due to the capitalisation, and subsequent amortisation expense of the RMS.

Statement of Changes in Equity

7. The adjustment in the 2005-06 Budget reflects a reduction in asset values on the adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS).
8. SSIO will cease to exist on 1 July 2006 and its policy functions will transfer to the newly established Shared Service Agency.

Balance Sheet

9. Refer to the Cash Flow Statement. The increase in the 2006-07 Estimate is caused by a decrease in capital expenditure, and an increase in employee entitlement liabilities.
10. The decrease in the 2005-06 Estimated Actual reflects a reduction in the anticipated proportion of accrued versus collected revenue based on the proportion recognised as accrued in the 2004-05 General Purpose Financial Statements.
11. The decrease in the 2006-07 Estimate reflects one off expenditure in 2005-06 for three significant QSuper related IT projects and the subsequent depreciation incurred on these and on the Department's plant and equipment assets.
12. The increase in the 2006-07 Estimate reflects the capitalisation of the Revenue Management System (RMS).
13. The increase in the 2006-07 Estimate reflects an equity injection to fund the RMS project. These equity injections are partially offset by equity withdrawals equivalent to the depreciation funding on the RMS.

Cash Flow Statement

14. Refer to Note 1 above.
15. Refer to Note 2 above.
16. Refer to Note 4 above.
17. Refer to Note 5 above.
18. Refer to the Capital Acquisition Statement on p1-44.
19. Refer to the Capital Acquisition Statement on p1-44.
20. Refer to Note 13 above.
21. The increase in the 2006-07 Estimate is due to the staged capitalisation of the RMS. This in turn leads to a higher amortisation expense and hence an increase to Equity withdrawal.

Income Statement

Expenses and Revenues Administered on Behalf of the whole-of-Government

22. The decrease in the 2005-06 Estimated Actual reflects the recovery of an overpayment of GST relating to 2004-05 and a decrease in the estimated total GST receipts in 2005-06. Increased GST revenues are forecast for 2006-07 as Queensland's growing population and other parameter adjustments impact on the GST pool.
23. The increase in the 2005-06 Estimated Actual is due to solid growth in the property and employment markets. This 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 2006-07.
24. The increase in the 2005-06 Estimated Actual reflects higher returns on Treasurer's cash investment balances than forecast at the time of the 2005-06 Budget. These cash balances will be fully utilised in 2006-07 to support the State's infrastructure program, resulting in a moderation in the level of investment income anticipated in 2006-07.
25. Administered appropriation is received from the Consolidated Fund to fund administered expenses (excluding the Casino Funds which are self funded). Explanations of material revisions to Administered expenses are outlined in Notes 26 to 29.
26. The decrease in the 2005-06 Estimated Actual is due to Community Service Obligations paid to Enertrade being funded from State equity injections. This is partially offset by increased grant payments to CorpTech and not-for-profit organisations during the year. The increase in the 2006-07 Estimate reflects increased funding for the First Home Owner Grant and fuel subsidy payments.
27. The decrease in the 2005-06 Estimated Actual is due to stronger than anticipated revenues reducing the State's borrowing requirements (refer Note 35). The increase in the 2006-07 Estimate represents interest on additional funds borrowed during 2006-07 to support the expansion of the State's capital program.
28. The Treasurer's Advance reflects provisions for items which may emerge during the year.
29. The decrease in the 2005-06 Estimated Actual reflects a reduction in the State's share of superannuation beneficiary payments in 2005-06, in line with the funding recommendations outlined in the most recent actuarial investigation. Higher contributions by the States for superannuation beneficiary payments is forecast for 2006-07.
30. This represents revenues collected on behalf of the Queensland Government which are transferred to the Consolidated Fund. Administered revenues have increased overall from the 2005-06 Budget, with explanations of material revisions outlined in Notes 22 to 24.
31. The utilisation of surplus Community Investment Fund cash balances in 2006-07 as a source of funds for grant payments and the operations of the Office of Gaming Regulation has resulted in an operating deficit of \$19.754 million in 2006-07.

Balance Sheet

Asset and Liabilities Administered on Behalf of the whole-of-Government

32. Treasury in its capacity as manager of the State's finances operates a bank overdraft facility offset by departmental cash holdings. These monies are reinvested in short-term deposits to obtain maximum investment returns for the State (refer to Note 33).
33. This item primarily represents Government's investments with Queensland Treasury Corporation (QTC) in short term cash deposits. The decrease in the 2006-07 Estimate reflects the cashing out of funds invested in term deposits with QTC at their maturity and their transfer to the Treasurer's cash balances for use in funding the State's capital program.
34. The increase in the 2005-06 Estimated Actual reflects an advance Natural Disaster Relief Assistance (NDRA) payment from the Commonwealth as a result of the damage sustained in North Queensland by Cyclone Larry in March 2006 and additional stamp duties receipted during the year which are pending assessment by the Office of State Revenue. In 2006-07 both NDRA and stamp duty funds are expected to be recorded as revenue.
35. In its capacity as manager of the State's finances Treasury is expected to borrow \$1.772 billion in 2006-07 in support of the Government's capital works program. The budgeted borrowings for the Government's capital works program in 2005-06 of \$810 million were not drawn down due to improved cash surpluses generated during the year.
36. Contributed equity represents an equity withdrawal to the Consolidated Fund for the State's capital works program (refer to Note 35).

Cash Flow Statement

Cash Flow Administered on Behalf of the whole-of-Government

37. Refer to Note 25 above.
38. Refer to Note 22 and Note 34 relating to NDRA grants from the Commonwealth above.
39. Refer to Note 23 and Note 34 relating to stamp duties above.
40. Refer to Note 24 above.
41. Refer to Note 26 above.
42. Refer to Note 27 above.
43. Refer to Note 28 above.
44. Refer to Note 29 above.
45. Refer to Note 33 above.
46. Refer to Note 35 above.
47. Equity injections for 2005-06 have been revised downward as a result of the utilisation of higher than expected surplus Nominal Defendant balances for HIH tail claims and lower equity injections to fund CorpTech's Shared Service Solutions.
48. This item represents the equity withdrawals that correspond to the equity injections discussed in Note 47 above. In addition, an equity withdrawal of \$1.772 billion in 2006-07 pertains to the Government's capital works program. Refer to Note 35 above.

RECONCILIATION OF 2006-07 APPROPRIATION AMOUNTS TO THE FINANCIAL STATEMENTS

CONTROLLED

Income Statement

	\$'000
Output Revenue in Income Statement ¹	103,290
<i>Add:</i> Appropriation Funding for Outputs Receivable	<u>..</u>
= Appropriation for Departmental Outputs	103,290
= Output Receipts in Cash Flow Statement ²	103,290

Balance Sheet

	\$'000
Closing balance Contributed Equity ³	41,229
<i>Less:</i> Opening Balance Contributed Equity ³	<u>37,667</u>
= Change in Contributed Equity in the Balance Sheet	3,562
<i>Add:</i> Appropriation Equity Injection Receivable	..
<i>Less:</i> Non-appropriated Equity Adjustments ⁴	<u>437</u>
= Appropriation for Equity Adjustment ⁵	3,125
= Net Appropriated Equity Adjustment in Cash Flow Statement	3,125

1. This Output Revenue amount reconciles to the Output Revenue line in the Income Statement on page 1-46.
2. This Output Revenue amount reconciles to the Output Receipts line in the Cash Flow Statement on page 1-48.
3. The Contributed Equity amounts reconcile to the Contributed Equity line in the Balance Sheet on page 1-47.
4. Non-appropriated equity adjustments relate to Machinery of Government changes, long service leave liabilities transferred to the whole-of-Government scheme.
5. The Appropriation for Equity Adjustment amount reconciles to the Equity Adjustment line in the Appropriations table on page 1-6.

ADMINISTERED

Statement of Expenses and Revenues Administered on Behalf of the whole-of-Government

	\$'000
Administered Item Revenue in Income Statement ⁶	2,344,830
<i>Add:</i> Other (Administered) Appropriation Receivable	<u>..</u>
= Appropriation for Administered Expenses ⁷	2,344,830

Statement of Assets and Liabilities Administered on Behalf of the whole-of-Government

	\$'000
Closing balance Contributed Equity ⁸	(1,696,030)
<i>Less:</i> Opening Balance Contributed Equity ⁸	<u>75,720</u>
= Change in Contributed Equity in the Statement of Assets and Liabilities administered on behalf of the State Government	<u>(1,771,750)</u>
<i>Add:</i> Appropriation Equity Injection Receivable	..
<i>Less:</i> Non-appropriated Equity Adjustment ⁹	<u>(24,113)</u>
= Appropriation for Administered Equity Adjustment ⁷	(1,747,637)

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 1-49.
7. Total Appropriation for Administered items (\$597.193 million) = Appropriation for Administered expenses (\$2,344.830 million) + Appropriation for Administered Equity Adjustment (-\$1,747.637 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 1-50.
9. Non-appropriated equity adjustments relate to the CorpTech SSS project.

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 1-6).

Corporate Services¹ Allocation 2006-07 Estimate (\$'000)

	Notes	Total Corporate Services	Financial and Economic Policy	GOC Performance	Economic and Statistical Research	Taxation	Gambling	Superannuation	Other
Income									
Output revenue		24,795	4,026	764	1,706	6,485	3,879	6,119	1,816
User charges		6,690	902	175	399	1,457	877	1,388	1,492
Grants and other contributions		..	..	..	..	..	..	..	..
Other revenue		1,750	363	49	50	528	264	380	116
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..	..	..	..	..	..
Total income		33,235	5,291	988	2,155	8,470	5,020	7,887	3,424
Expenses	2								
Employee expenses		13,263	2,198	402	844	3,483	2,034	3,176	1,126
Supplies and services		14,168	2,280	436	977	3,666	2,191	3,459	1,159
Grants and subsidies		..	..	..	..	..	..	..	..
Depreciation and amortisation		3,600	526	101	232	849	511	808	573
Finance/borrowing costs		..	..	..	..	..	..	..	..
Other expenses		2,204	287	49	102	472	284	444	566
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..	..	..	..	..	..
Total expenses		33,235	5,291	988	2,155	8,470	5,020	7,887	3,424
Full Time Equivalents		166	27	5	11	42	25	39	17

Notes:

- Corporate services functions include: finance and administration, human resources, procurement services, knowledge services, information technology, strategic development, 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 information and communication technology (ICT) applications, infrastructure 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.

BUSINESS PRIORITIES

CorpTech's strategic business priorities are to:

- **develop and communicate a common view of the business**
- **engage clients and stakeholders, and develop and maintain effective working partnerships with them**
- **deliver programs, projects and services to provide new corporate service solutions and support for existing systems**
- **undertake service delivery improvement**
- **manage CorpTech resources**
- **maintain effective corporate governance.**

Key achievements in 2005-06

Significant recent achievements include:

- completed solution design and implementation planning for Finance and Human Resources (HR) solutions, determined standard offerings, selected preferred HR solution, and significantly progressed system development and project initiation activities in various agencies
- successfully piloted electronic document and records management solution
- delivered services to clients, meeting 95-100% of service standards during 2004-05 and achieving similar results in 2005-06. Signed and implemented all eight OLAs with clients
- co-located Shared Service Solutions and service delivery staff, including the Service Desk, into two primary office locations
- updated hardware/infrastructure and improved performance in consolidating over 40 Finance and HR systems' infrastructure. Provided network connectivity to some 1,738 users, including SSPs and CorpTech to support their co-location
- developed information security and business continuity policies and plans
- progressed preliminary stages to implement ICT best practices processes for service delivery and service support
- transitioned Queensland Health HR Management Information System Unit to CorpTech under a machinery-of-Government change.

Strategic Direction

During 2006-07, CorpTech will focus on the following key priorities:

- continuing to maintain, in the short term, existing ICT systems until they are retired, while piloting, rolling out and supporting the new systems solutions
- negotiating annually with SSPs and documenting in OLAs the level of services and the quality of ICT support provided. Business improvements will be pursued to enhance service delivery and operational efficiency and effectiveness. Future services will be provided on a user-pays basis with service charges determined under a new costing and pricing arrangement
- piloting the Finance business solution which has a current go-live date of 1 July 2006 with the HR business solution pilot to go live in November 2006. Implementation of both Finance and HR systems across government agencies will ramp up in 2007
- undergoing further changes in scale and scope, once the new solutions are implemented, to become a streamlined organisation delivering ICT services and support to its clients.

PERFORMANCE STATEMENT

CorpTech				
Measures	Note	2005-06 Adjusted Budget	2005-06 Est. Actual	2006-07 Target/Est.
Financial Performance Measures				
\$ SSP Operating Surplus/(Deficit)		..	..	..
% Labour costs as % of total expenses	1	38%	26%	29%
Non-Financial Performance Measures				
Number of FTEs in SSP	1	574	493	493
% of OLAs signed		100%	100%	100%
Customer Satisfaction Index		≥ 60	≥ 60	≥ 60
Client Satisfaction Index		≥ 60	≥ 52	≥ 60
Note: 1. The decrease in the 2005-06 Estimated Actual reflects the decrease in labour based operating expenditure to be incurred resulting from a greater reliance on alternate employment types due to market wide skill shortages and increasing demand.				

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 whole-of-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 2006-07.

PROGRAM FUNDING

These projects will be funded from a combination of:

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

CAPITAL ACQUISITION STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
<u>PROPERTY PLANT AND EQUIPMENT</u>				
Property Plant and Equipment		650	650	650
Other acquisitions of property, plant and equipment		..	..	..
TOTAL PROPERTY PLANT AND EQUIPMENT		650	650	650
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other Capital Acquisitions - Shared Service Solutions (SSS) Program	1	44,563	49,067	38,463
Other Items		..	..	..
TOTAL OTHER CAPITAL ACQUISITIONS		44,563	49,067	38,463
TOTAL CAPITAL ACQUISITIONS		45,213	49,717	39,113
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity Adjustment	2	30,213	25,803	24,113
Funding for depreciation and amortisation		16,563	18,018	23,601
Borrowings		..	..	..
Proceeds of asset sales		..	..	..
Other	3	(1,563)	5,896	(8,601)
TOTAL FUNDING SOURCES		45,213	49,717	39,113
Notes: 1. The reduction in the 2006-07 Estimate reflects the planned pattern of expenditure associated with the SSS Program of works. 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	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
User charges	1	70,677	70,885	79,765
Grants and other contributions	2	21,577	41,322	19,079
Other revenue	3	500	2,880	894
Total income		92,754	115,087	99,738
Expenses				
Employee expenses	4	35,411	30,102	28,825
Supplies and services	5	38,470	51,134	41,568
Grants and subsidies		..	..	..
Depreciation and amortisation	6	16,563	18,018	23,601
Finance/borrowing costs		40	47	40
Other expenses	7	2,270	15,786	5,704
Total expenses		92,754	115,087	99,738
OPERATING SURPLUS/(DEFICIT)		..	..	..

STATEMENT OF CHANGES IN EQUITY

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Net effect of the adoption of a new accounting standard		..	(107)	..
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		..	(107)	..
Surplus/(deficit) for the period	
Total recognised income and expense for the period		..	(107)	..
Equity injection/(withdrawal)		30,213	27,755	24,113
Equity adjustments (MoG transfers)		16,612	16,612	..
Total movement in equity for period		46,825	44,260	24,113

BALANCE SHEET

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets	8	16,032	19,734	27,408
Receivables		2,831	2,985	3,968
Other financial assets		..	..	..
Inventories		155	..	..
Other		1,085	1,634	1,634
Total current assets		20,103	24,353	33,010
NON-CURRENT ASSETS				
Receivables		334	104	..
Other financial assets		..	..	..
Property, plant and equipment	9	5,265	2,973	2,164
Intangibles	10	92,598	88,108	104,429
Other		..	..	..
Total non-current assets		98,197	91,185	106,593
TOTAL ASSETS		118,300	115,538	139,603
CURRENT LIABILITIES				
Payables		10,239	7,656	7,658
Accrued employee benefits		1,952	3,123	3,177
Interest-bearing liabilities and derivatives		..	104	..
Provisions		..	..	..
Other		41	704	704
Total current liabilities		12,232	11,587	11,539
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits		484	659	659
Interest-bearing liabilities and derivatives		334	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		818	659	659
TOTAL LIABILITIES		13,050	12,246	12,198
NET ASSETS/(LIABILITIES)		105,250	103,292	127,405
EQUITY				
Capital/Contributed equity	11	105,169	101,393	125,506
Retained surplus/(Accumulated deficit)		81	1,899	1,899
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		105,250	103,292	127,405

CASH FLOW STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges	12	70,027	75,235	78,782
Grants and other contributions	13	21,577	61,322	19,079
Other		510	2,890	894
Outflows:				
Employee costs	14	(35,245)	(29,936)	(28,771)
Supplies and services	15	(40,129)	(66,698)	(41,568)
Grants and subsidies		..	..	..
Borrowing costs		(40)	(47)	(40)
Other	16	(2,267)	(15,783)	(5,702)
Net cash provided by/(used in) operating activities		14,433	26,983	22,674
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed		..	..	..
Loans and advances redeemed		625	250	104
Outflows:				
Payments for property, plant and equipment		(650)	(650)	(650)
Payments for intangibles		(44,563)	(49,067)	(38,463)
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(44,588)	(49,467)	(39,009)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections		47,165	42,755	39,113
Outflows:				
Borrowing redemptions		(625)	(853)	(104)
Finance lease payments		..	..	..
Equity withdrawals		(15,000)	(15,000)	(15,000)
Net cash provided by/(used in) financing activities		31,540	26,902	24,009
Net Increase/(decrease) in cash held		1,385	4,418	7,674
Cash at the beginning of financial year		14,647	15,316	19,734
Cash transfers from restructure		..	..	..
Cash at the end of financial year		16,032	19,734	27,408

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2006-07 Estimate includes additional revenue relating to the transfer of responsibility for the Queensland Health Human Resource Management Information System Unit to CorpTech effective in March 2006.
2. The increase in the 2005-06 Estimated Actual includes additional grant funding received for the Shared Service Solutions (SSS) Program of works. This funding reflects increased planned expenditure (refer Notes 5 and 7).
3. The increase in the 2005-06 Estimated Actual reflects interest earned and recognition of unexpectedly high levels of expense recovery predominantly for licence fees.
4. The decrease in the 2005-06 Estimated Actual and 2006-07 Estimate reflects the changing resource requirements of the SSS Program.
5. The increase in the 2005-06 Estimated Actual includes additional expenditure associated with the Shared Service Solutions (SSS) Program of works. This expenditure results from the additional grant funding received (refer Note 2).
6. The increase in the 2005-06 Estimated Actual and the 2006-07 Estimate includes additional depreciation and amortisation expenditure relating to the transfer of responsibility for the Queensland Health Human Resource Management Information System Unit to CorpTech effective March 2006 (refer Note 1).
7. The increase in the 2005-06 Estimated Actual reflects additional software license acquisitions associated with the Shared Service Solutions (SSS) Program of works and the Electronic Document and Records Management System development. This expenditure results from the additional grant funding received (refer Note 2).

Balance Sheet

8. The increase in the 2006-07 Estimate is due to cash received in relation to amortisation expense that will be required for future asset replacement.
9. The decrease in the 2005-06 Estimated Actual reflects a saving in asset related purchases for the Fusion connectivity project.
10. The increase in the 2006-07 Estimate reflects the planned expenditure on the Shared Service Solutions (SSS) Program of works.
11. Movements in Capital are attributable to equity injections funding the SSS Program of works.

Statement of Cash Flows

12. Refer to Note 1 above.
13. Refer to Note 2 above. Receipt of grant receivable at 30 June 2005 in 2005-06 has resulted in an increase in cash received in 2005-06.
14. Refer to Note 4 above.
15. Refer to Note 5 above. Payment of payables existing at 30 June 2005 has also resulted in the 2005-06 Estimated Actual increase.
16. Refer to Note 7 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. The vision is to provide high quality, cost-effective corporate support services across the Queensland Government. Shared services is 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 and resources through shared service providers. From 1 July 2006 the hosting arrangements for the shared service providers (SSPs) CorporateLink, PartnerOne and Corporate Solutions Queensland will be consolidated from three host agencies to the Shared Service Agency hosted by Treasury Department. Approximately 2,200 staff from the multi-agency shared service providers will transition into the Shared Service Agency.

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

The Shared Service Agency leads the evolution and refinement of a whole-of-Government model for shared service delivery and provides a dual role of policy and program management for the Initiative, and service delivery by PartnerOne, Corporate Solutions Queensland and CorporateLink. The SSPs will continue to service their existing clusters of agencies through Operating Level Agreements.

The Shared Service Agency's role is to:

- deliver corporate services to agencies through the existing SSPs; PartnerOne, Corporate Solutions Queensland and CorporateLink
- undertake whole-of-Government shared service policy coordination
- manage and promote the Initiative
- ensure the best outcomes for the Queensland Government from standard business solutions.

Key factors impacting on the Shared Service Agency include:

- ensuring that ongoing opportunities for skills development and training are provided
- maintaining a whole-of-Government focus
- developing a spirit of cooperation and partnership between agencies, shared service providers and CorpTech

- optimising the standardisation of business processes
- leveraging existing technology investments and optimising standardisation and consolidation.

Key SSP achievements in 2005-06

In 2005-06, the Initiative returned \$26.4 million in savings to Government.

Significant key achievements by PartnerOne, Corporate Solutions Queensland and CorporateLink include:

- delivered services to client agencies in accordance with Operating Level Agreements
- completed office collocations at Toowoomba, Maroochydore and Rockhampton with staff from PartnerOne, Corporate Solutions Queensland and CorporateLink
- completed the development of the model for costing and pricing to enable notional billing to commence in 2006-07
- implemented processes to support the business preparation phase for the new Human Resources and Finance System Solutions
- met the required performance returns to Government.

In addition:

- PartnerOne implemented the pilot of the new Finance System Solution
- Corporate Solutions Queensland received ISO 9001 Quality Accreditation for all Brisbane central business district operations
- CorporateLink identified and commenced implementation of a number of business improvement initiatives including a documentation scanning pilot.

Strategic Direction

Over the next year there will be significant effort across government to develop, pilot and progressively roll out standardised human resource, finance and document and records management systems across agencies and shared service providers. Other programs will develop the capability of shared service providers, improve corporate service delivery and enable the benefits of shared services to be realised.

Priorities for the new Shared Service Agency are to focus on improvements in service delivery to client agencies, consolidate sound business initiatives across the three providers, and implement an integrated management model for regional service delivery.

PERFORMANCE STATEMENT

Shared Service Agency				
Measures	Notes	2005-06 Adjusted Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Financial Performance Measures				
\$'000 SSA Operating Surplus/(Deficit)	1	..	112	..
Labour costs as % of total expenses		59%	60%	59%
Non-Financial Performance Measures				
Number of FTEs in SSA	2	2,028	2,099	2,163
% of OLAs signed		n/a	100%	100%
SSI Customer Satisfaction Index		n/a	63	≥ 60
SSI Client Satisfaction Index	3	n/a	50	≥ 60
Number of reports on policy and program management progress against whole-of-Government Implementation Plans	4	n/a	n/a	4
Achievement of key policy and program management deliverables within agreed timeframes	4	n/a	n/a	90%
Provision of policy advice, briefings, ministerial correspondence within agreed time frames	4	n/a	n/a	95%
Notes: 1. Refer to the Income Statement on page 1-70. 2. The increase the 2005-06 Estimated Actual and the 2006-07 Estimate is due to additional volumes associated with client agencies' funding for new initiatives as well as other new project initiatives as well as the transfer of Shared Service Implementation Office staff to the Shared Service Agency. 3. A higher target for the client satisfaction index has been set for the 2006-07 Estimate as a number of strategies and projects have been developed with a view to improving the quality and productivity of service delivery. These include a review of the service delivery model and further development of a client/customer relationship management system. 4. Three new performance measures have been introduced to monitor the performance of policy and program management in the Shared Service Agency established on 1 July 2006.				

CAPITAL ACQUISITIONS

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
<u>PROPERTY PLANT AND EQUIPMENT</u>				
Property Plant and Equipment	1	4,418	1,337	1,199
Other acquisitions of property, plant and equipment		..	..	..
TOTAL PROPERTY PLANT AND EQUIPMENT		4,418	1,337	1,199
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other Capital Acquisitions		..	300	..
Other Items		..	..	..
TOTAL OTHER CAPITAL ACQUISITIONS		..	300	..
TOTAL CAPITAL ACQUISITIONS		4,418	1,637	1,199
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity Adjustment		..	..	..
Funding for depreciation and amortisation		3,360	2,026	2,458
Borrowings		..	..	..
Proceeds of asset sales		..	(22)	..
Other	2	1,058	(367)	(1,259)
TOTAL FUNDING SOURCES		4,418	1,637	1,199
Notes: 1. The decrease in the 2005-06 Estimated Actual is due to the adoption of the Non-Current Asset Policies for the Queensland Public Sector as released by Queensland Treasury in June 2005. These policies prescribe asset recognition thresholds for various classes of assets which differ from those previously applied by SSA agencies. 2. This item represents the increases and decreases in cash reserves needed to fund capital expenditure.				

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
User charges	1	194,485	204,289	217,015
Grants and other contributions	2	4,333	8,057	9,688
Other revenue		1,122	1,046	864
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		199,940	213,392	227,567
Expenses				
Employee expenses	3	117,889	126,951	134,819
Supplies and services	4	65,062	69,918	71,709
Grants and subsidies		..	..	1,040
Depreciation and amortisation		2,782	2,026	2,459
Finance/borrowing costs		..	..	..
Other expenses	5	14,207	14,363	17,540
Losses on sale/revaluation of property, plant and equipment and investments		..	22	..
Total expenses		199,940	213,280	227,567
OPERATING SURPLUS/(DEFICIT)		..	112	..

STATEMENT OF CHANGES IN EQUITY

	Note	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Net effect of the adoption of a new accounting standard		32	(3,200)	..
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		32	(3,200)	..
Surplus/(deficit) for the period		..	112	..
Total recognised income and expense for the period		32	(3,088)	..
Equity injection/(withdrawal)		..	..	..
Equity adjustments (MoG transfers)	6	(1,672)	(1,838)	(437)
Total movement in equity for period		(1,640)	(4,926)	(437)

BALANCE SHEET

	Note	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets		11,689	11,564	12,682
Receivables		14,939	15,602	16,627
Other financial assets		..	..	..
Inventories		11	12	12
Other		35	70	70
Non-financial assets held for sale		..	..	..
Total current assets		26,674	27,248	29,391
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets		..	..	..
Property, plant and equipment		7,853	7,342	6,103
Intangibles		41	341	323
Other		..	..	..
Total non-current assets		7,894	7,683	6,426
TOTAL ASSETS		34,568	34,931	35,817
CURRENT LIABILITIES				
Payables		9,564	9,877	10,042
Accrued employee benefits		11,767	11,484	12,048
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		6,556	5,250	5,775
Total current liabilities		27,887	26,611	27,865
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits	7	451	1,184	1,253
Interest-bearing liabilities and derivatives		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		451	1,184	1,253
TOTAL LIABILITIES		28,338	27,795	29,118
NET ASSETS/(LIABILITIES)		6,230	7,136	6,699
EQUITY				
Capital/Contributed equity		5,812	6,394	5,957
Retained surplus/(Accumulated deficit)		418	742	742
Reserves:		..	..	..
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUITY		6,230	7,136	6,699

CASH FLOW STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges	8	194,801	207,461	216,515
Grants and other contributions	9	4,333	8,057	9,688
Other		1,122	1,187	896
Outflows:				
Employee costs	10	(117,687)	(127,280)	(134,554)
Supplies and services	11	(65,072)	(71,345)	(71,597)
Grants and subsidies		..	..	(1,040)
Borrowing costs		..	..	..
Other		(14,207)	(16,367)	(17,540)
Net cash provided by/(used in) operating activities		3,290	1,713	2,368
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	(22)	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment	12	(2,418)	(1,637)	(1,199)
Payments for intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made		..	(1)	..
Net cash provided by/(used in) investing activities		(2,418)	(1,660)	(1,199)
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		872	53	1,169
Cash at the beginning of financial year		12,006	12,841	11,564
Cash transfers from restructure		(1,189)	(1,330)	(51)
Cash at the end of financial year		11,689	11,564	12,682

Income Statement

1. The increase in the 2005-06 Estimated Actual and 2006-07 Estimate is due to additional fee for service activity, increased funding for accommodation and network charges, and the flow-on of client agencies' funding for new initiatives.
2. The increase in the 2005-06 Estimated Actual is due to Shared Service Providers (SSPs) accessing additional performance returns made in previous years to fund key projects (for example implementation of Costing and Pricing methodology and preparation work for the implementation of the new whole-of-Government Finance and HR solutions). SSPs have also received additional training funding not previously forecast and funding provided for various business improvement projects. The increase 2006-07 is largely due to the inclusion of funding for Shared Service Agency (SSA) Corporate, Policy and Program offices (previously approved as funding for the Shared Service Implementation Office (SSIO)).
3. The increase in the 2005-06 Estimated Actual is due primarily to the estimated impact of Enterprise Bargaining Agreements and to the cost of additional services transferred during the year.
4. The increase in the 2005-06 Estimated Actual is due to costs associated with business improvement projects being undertaken, including the Costing and Pricing project and preparation for the implementation of the new whole-of-Government Finance and Human Resource systems.
5. The increase in the 2006-07 Estimate is mainly due to increased performance return payments.

Statement of Changes in Equity

6. The movements during 2005-06 reflect the transfer of assets and liabilities for the Machinery of Government transition of Information Solutions and Technology branch to Shared Information Solutions, Department of Communities. The movement during 2006-07 reflects the transfer of SSIO to the SSA on 1 July 2006.

Balance Sheet

7. The increase in the 2005-06 Estimated Actual is due to adjustments in staffing levels and reclassification of current and non-current accrued annual leave.

Statement of Cash Flows

8. Refer to Note 1 above.
9. Refer to Note 2 above.
10. Refer to Note 3 above.
11. Refer to Note 4 above.
12. The decrease in the 2005-06 Estimated Actual is due to the adoption of the Non-Current Asset Policies for the Queensland Public Sector as released by Queensland Treasury in June 2005. These policies prescribe asset recognition thresholds for various classes of assets which differ from those previously applied by SSA agencies.

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MINISTERIAL PORTFOLIO STATEMENT
2006-07 STATE BUDGET

DEPUTY PREMIER, TREASURER AND MINISTER
FOR STATE DEVELOPMENT, TRADE AND
INNOVATION

MOTOR ACCIDENT INSURANCE ADMINISTRATION

Hon. Anna Bligh MP
Deputy Premier, Treasurer
and Minister for State Development,
Trade and Innovation

John Hand
A/Insurance Commissioner

OVERVIEW

STRATEGIC ISSUES

Two statutory bodies, the Motor Accident Insurance Commission (MAIC) and the Nominal Defendant, contribute to the motor accident insurance administration output. They provide a framework for the determination of premiums and levies, ensure 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 involves the provision of a viable and equitable personal injury compensation scheme 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 Australian Prudential Regulation Authority (APRA) as prudential regulator under the **Insurance Act 1973 (Cth)** and the **General Insurance Reform Act 2001 (Cth)** and monitoring the financial strength of licensed insurers through ongoing analysis
- 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 which 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. The delivery of this output contributes to Government priorities and community outcomes by:

- contributing to an improved standard of living for all Queenslanders by ensuring affordable premiums, issuing licenses, monitoring the financial strength of licensed insurers through ongoing analysis 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 full-time equivalent staffing numbers for 2006-07 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 scheme through the regulation of the Queensland Compulsory Third Party (CTP) scheme encompassing injury prevention and control. It also manages the Nominal Defendant scheme.

The Commission's 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:

- continued downward trend in CTP premiums reflecting the success of the tort law reform
- redesigned and redeveloped the Personal Injury Register making it a web-based system with enhanced functionalities

- completed stage one of the Commission's records management program, which included the development of a functional thesaurus, and alignment of the shared drive to business classification scheme
- improved leadership team strengths and implementation of a new organisational structure will better support the Commission's objectives of achieving a viable and equitable personal injury compensation scheme.

Future Developments

During 2006-07, this output will focus on the following key priorities:

- strategic analysis of scheme data and trends, and developing and implementing a performance framework to ensure the insurers are adopting best practice in terms of injury and claims management
- conducting investigations into the optimal processes the Commission should adopt in terms of its relationship with the Australian Prudential Regulation Authority (APRA) in the areas of prudential supervision/risk management
- delivering an enhanced information role in line with trends in compensation schemes, especially as tort reform changes the nature of compensation
- increasing the focus on planning, PI monitoring and performance management processes for staff
- implementing stage two of the Commission's records management program to further comply with information standards and to enhance the efficiency of service to the community
- refining grants management and assessment systems and the strategic direction for grants funding
- continuing to achieve effective stakeholder relationships with insurers, CTP claimants, legal representatives and medical and allied health providers
- managing the outstanding CTP claims following the insolvency of FAI and managing the proof-of-debt process
- adopting initiatives to provide better service delivery
- continuing to focus on Nominal Defendant efficiencies.

NON-DEPARTMENTAL OUTPUT STATEMENT

Non-Departmental Output: Motor Accident Insurance Administration				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Number of Nominal Defendant claims finalised	1	600	600	n/a
Number of Nominal Defendant claims finalised as a percent of total outstanding claims	1	n/a	n/a	40
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	\$1,144	\$1,257	\$1,260
Average funds per CTP policy for grant funding	3	\$0.50	\$0.43	n/a
Available funds per CTP policy for grant funding	3	n/a	n/a	\$0.37
Highest filed CTP premium for Class 1 vehicles does not exceed the Affordability Index as prescribed under the Act	4	n/a	n/a	100

Non-Departmental Output: Motor Accident Insurance Administration				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
State Contribution (\$ 000)	5	..	..	..
Other Revenue (\$ 000)	5	77,931	107,627	89,511
Total Cost (\$ 000)	5	55,456	50,766	59,852
<p>Notes:</p> <ol style="list-style-type: none"> 1. This performance measure has been discontinued as the number of claims is reducing in line with the reduction in the frequency of Scheme claims. The new measure takes into consideration the complex and long-tail nature of personal injury claims, finalisation of which can take several years. The target estimate for 2006-07 is based on the total claims finalised during the financial year as a per cent of total outstanding claims (opening balance as at 1/7/06 plus the number of new claims received during the financial year). 2. The increase in the 2005-06 Estimated Actual is a result of higher than anticipated operating expenses. Refer to notes 2 and 3 on page 2-9. 3. Grants for funding research and other programs are based on 'available' funds per CTP policy and not 'average' funds. The decrease in the 2005-06 Estimated Actual and the 2006-07 Estimate is a result of higher than anticipated operating expenses to meet the diverse demands and manage emerging issues. 4. Affordability Index is determined in accordance with Section 15 of the Act and is currently set at 45 per cent of the average weekly earnings (AWE). 5. Refer to the 'Income Statement - Motor Accident Insurance Commission' on page 2-6, and 'Income Statement - Nominal Defendant' on page 2-10. 				

FINANCIAL STATEMENTS

INCOME STATEMENT Motor Accident Insurance Commission

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	9,397	13,029	10,958
Total income		9,397	13,029	10,958
Expenses				
Employee expenses	2	1,651	1,853	2,409
Supplies and services		1,190	1,163	1,192
Grants and subsidies	3	3,445	3,551	4,800
Depreciation and amortisation		84	47	88
Finance/borrowing costs		..	..	..
Other expenses		115	132	101
Total expenses		6,485	6,746	8,590
OPERATING SURPLUS/(DEFICIT)		2,912	6,283	2,368

STATEMENT OF CHANGES IN EQUITY

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
Net effect of the adoption of a new accounting standard		1	1	..
Net amount of all revenue and expense adjustments direct to equity not disclosed above	
Net income recognised directly in equity		1	1	..
Surplus/(deficit) for the period		2,912	6,283	2,368
Total recognised income and expense for the period		2,913	6,284	2,368
Equity injection/(withdrawal)	
Increase/(decrease) in asset revaluation reserve	
Total movement in equity for period		2,913	6,284	2,368

BALANCE SHEET Motor Accident Insurance Commission

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
CURRENT ASSETS				
Cash assets		500	500	500
Receivables		105	149	116
Other financial assets	4	24,806	28,922	31,402
Other		2	29	29
Total current assets		25,413	29,600	32,047
NON-CURRENT ASSETS				
Receivables		500	500	500
Other financial assets		10,500	10,500	10,500
Property, plant and equipment		49	103	73
Intangibles		226	247	193
Other		..	..	..
Total non-current assets		11,275	11,350	11,266
TOTAL ASSETS		36,688	40,950	43,313
CURRENT LIABILITIES				
Payables		316	325	320
Interest-bearing liabilities		..	..	..
Provisions		..	..	..
Other		..	..	..
Total current liabilities		316	325	320
NON-CURRENT LIABILITIES				
Payables		12	16	16
Interest-bearing liabilities		..	..	..
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		12	16	16
TOTAL LIABILITIES		328	341	336
NET ASSETS/(LIABILITIES)		36,360	40,609	42,977
EQUIT				
Capital/Contributed equity		166	160	160
Retained surplus/(Accumulated deficit)	5	22,863	25,149	27,517
Reserves:				
- Asset revaluation reserve		..	..	..
- Other (Income Maintenance Grants Reserve)	6	13,331	15,300	15,300
TOTAL EQUIT		36,360	40,609	42,977

CASH FLOW STATEMENT Motor Accident Insurance Commission

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	7	9,434	13,010	10,998
Outflows:				
Employee costs	8	(1,651)	(1,852)	(2,409)
Supplies and services		(1,216)	(1,157)	(1,204)
Grants and subsidies	9	(3,445)	(3,551)	(4,800)
Borrowing costs		..	..	..
Other		(90)	(136)	(101)
Net cash provided by/(used in) operating activities		3,032	6,314	2,484
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed	10	5	3,551	4,800
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment	11	(19)	(122)	(4)
Payments for investments	12	(3,018)	(10,762)	(7,280)
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(3,032)	(7,333)	(2,484)
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		..	(1,019)	..
Cash at the beginning of financial year		500	1,519	500
Cash transfers from restructure		..	..	..
Cash at the end of financial year		500	500	500

E PLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2005-06 Estimated Actual results from a higher than expected rate of return on Queensland Investment Corporation investments. The decrease in the 2006-07 Estimate is due to a decline in the rate of return back towards the long term average.
2. The increase in the 2005-06 Estimated Actual and the 2006-07 Estimate is due to the creation of additional positions and upgrades to some other positions, to meet diverse demands and manage emerging issues in the Queensland Compulsory Third Party (CTP) Scheme.
3. The increase in the 2006-07 Estimate reflects the decision to increase funding for road safety initiatives.

Balance Sheet

4. The increase in the 2005-06 Estimated Actual and the 2006-07 Estimate reflects an increase in investments as a result of positive investment earnings in 2005-06 and 2006-07.
5. The increase in the 2005-06 Estimated Actual is a result of higher than anticipated investment returns. The subsequent increase in the 2006-07 Estimate is as a result of an anticipated net surplus.
6. Reserves for grants have been revised upwards in the 2005-06 Estimated Actual and 2006-07 Estimate in line with the anticipated increase in grant expenditure. Refer to Note 3 above.

Cash Flow Statement

7. Refer to Note 1 above.
8. Refer to Note 2 above.
9. Refer to Note 3 above.
10. The increase in the 2005-06 Estimated Actual and the 2006-07 Estimate is the result of a change in accounting treatment to be more reflective of current practices.
11. The 2005-06 Estimated Actual predominantly reflects final hardware and development costs for the Personal Injury Register (PIR) software redevelopment.
12. The increase in the 2005-06 Estimated Actual predominantly reflects the reinvestment of higher than anticipated investment earnings. The subsequent decrease in the 2006-07 Estimate has occurred as a result of the reinvestment of lower investment earnings expected in 2006-07 compared to 2005-06.

INCOME STATEMENT Nominal Defendant

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
Income				
User charges		..	..	..
Grants and other contributions		..	..	..
Other revenue	1	68,534	94,598	78,553
Total income		68,534	94,598	78,553
Expenses				
Employee expenses		772	758	781
Supplies and services	2	48,953	48,671	51,858
Grants and subsidies		..	..	..
Depreciation and amortisation		53	52	53
Finance/borrowing costs		..	..	..
Other expenses	3	(807)	(5,461)	(1,430)
Total expenses		48,971	44,020	51,262
OPERATING SURPLUS/(DEFICIT)		19,563	50,578	27,291

STATEMENT OF CHANGES IN EQUITY

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
Net effect of the adoption of a new accounting standard	4	(14,000)	(25,071)	..
Net amount of all revenue and expense adjustments direct to equity not disclosed above		13	1	..
Net income recognised directly in equity		(13,987)	(25,070)	..
Surplus/(deficit) for the period		19,563	50,578	27,291
Total recognised income and expense for the period		5,576	25,508	27,291
Equity injection/(withdrawal)	5	14,895	..	..
Increase/(decrease) in asset revaluation reserve		..	..	..
Total movement in equity for period		20,471	25,508	27,291

BALANCE SHEET Nominal Defendant

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
CURRENT ASSETS				
Cash assets		1,000	1,000	1,000
Receivables	6	16,866	688	447
Other financial assets	7	48,668	55,614	61,918
Other		3	6	6
Total current assets		66,537	57,308	63,371
NON-CURRENT ASSETS				
Receivables		..	..	..
Other financial assets	8	194,669	222,456	247,673
Property, plant and equipment		9	14	16
Intangibles		162	173	129
Other		..	..	..
Total non-current assets		194,840	222,643	247,818
TOTAL ASSETS		261,377	279,951	311,189
CURRENT LIABILITIES				
Payables		499	451	446
Interest-bearing liabilities		..	..	..
Provisions		57,684	58,206	55,012
Other		26,296	25,509	26,892
Total current liabilities		84,479	84,166	82,350
NON-CURRENT LIABILITIES				
Payables		8	12	12
Interest-bearing liabilities		..	..	..
Provisions	9	193,540	170,515	176,278
Other		..	..	..
Total non-current liabilities		193,548	170,527	176,290
TOTAL LIABILITIES		278,027	254,693	258,640
NET ASSETS/(LIABILITIES)		(16,650)	25,258	52,549
EQUIT				
Capital/Contributed equity	10	260,433	245,594	245,594
Retained surplus/(Accumulated deficit)	11	(277,083)	(220,336)	(193,045)
Reserves:				
- Asset revaluation reserve		..	..	..
- Other		..	..	..
TOTAL EQUIT		(16,650)	25,258	52,549

CASH FLOW STATEMENT Nominal Defendant

	Notes	2005-06 Budget \$ 000	2005-06 Est. Act. \$ 000	2006-07 Estimate \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges		..	..	..
Grants and other contributions		..	..	..
Other	12	74,292	95,343	80,209
Outflows:				
Employee costs		(772)	(756)	(782)
Supplies and services	13	(26,674)	(27,215)	(28,691)
Grants and subsidies		..	..	..
Borrowing costs		..	..	..
Other	14	(32,186)	(30,502)	(19,204)
Net cash provided by/(used in) operating activities		14,660	36,870	31,532
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment		..	..	..
Investments redeemed	15	10,709	3,706	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment		(4)	(8)	(11)
Payments for intangibles		..	..	..
Payments for investments	16	(40,260)	(41,783)	(31,521)
Loans and advances made		..	..	..
Net cash provided by/(used in) investing activities		(29,555)	(38,085)	(31,532)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	17	14,895	..	..
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals		..	..	..
Net cash provided by/(used in) financing activities		14,895	..	..
Net Increase/(decrease) in cash held		..	(1,215)	..
Cash at the beginning of financial year		1,000	2,215	1,000
Cash transfers from restructure		..	..	..
Cash at the end of financial year		1,000	1,000	1,000

E PLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

1. The increase in the 2005-06 Estimated Actual results from a higher than expected rate of return on Queensland Investment Corporation (QIC) investments. The decrease in the 2006-07 Estimate is a result of a lower expected rate of return on QIC investments.
2. The increase in the 2006-07 Estimate is a result of a forecast increase in Nominal Defendant claims costs and movement in the outstanding claims provision as compared to 2005-06.
3. The decrease in the 2005-06 Estimated Actual is predominantly due to a projected decrease in FAI-Tail claims together with a reduction in the outstanding claims provision. The increase in the 2006-07 Estimate reflects an anticipated lower payout of FAI-Tail claims.

Statement of Changes in Equity

4. The 2005-06 Budget and 2005-06 Estimated Actual reflects an opening balance adjustment to the FAI-Tail outstanding claims provision as a result of the implementation of the International Financial Reporting Standards (IFRS).
5. The 2005-06 Estimated Actual and 2006-07 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 2005-06 and 2006-07.

Balance Sheet

6. The decrease in the 2005-06 Estimated Actual is a result of the removal of the FAI-Tail Reinsurance Receivable due to its uncertainty, a decrease in the FAI-Tail Sharing Receivable and a decrease in the reimbursement from Treasury (refer to Note 5). The decrease in the 2006-07 Estimate is due to a decrease in the FAI-Tail Sharing Receivable as the FAI-Tail diminishes.
7. The increase in the 2005-06 Estimated Actual predominantly reflects the reinvestment of higher than anticipated positive investment earnings. The increase in the 2006-07 Estimate reflects the reinvestment of positive earnings partially offset by 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 2005-06 Estimated Actual and 2006-07 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 2005-06 Estimated Actual reflects a lower than anticipated audited non-current outstanding claims provision opening balance together with a decrease in the non-current portion of the IFRS opening balance adjustment to the FAI-Tail outstanding claims provision (refer to Note 4 above).
10. Refer to Note 5 above.
11. The decrease in the 2005-06 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 2005-06. The decrease in the 2006-07 Estimate is a result of an anticipated net surplus in 2006-07.

Cash Flow Statement

12. Refer to Note 1 above.
13. The increase in the 2006-07 Estimate is the result of a forecast increase in Nominal Defendant claim payments.
14. The decrease in the 2005-06 Estimated Actual and 2006-07 Estimate is the result of a forecast decrease in claim payments as the FAI-Tail diminishes.
15. The decrease in the 2005-06 Estimated Actual and the 2006-07 Estimate reflects an expected decrease in drawdowns as a result of the run-off of the FAI-Tail costs.
16. The decrease in the 2006-07 Estimate is primarily due to the reinvestment of lower investment earnings.
17. Refer to Note 5 above.

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Queensland
Government

MINISTERIAL PORTFOLIO STATEMENT

2006-07 STATE BUDGET

DEPUTY PREMIER, TREASURER, AND MINISTER
FOR STATE DEVELOPMENT, TRADE AND
INNOVATION

DEPARTMENT OF STATE DEVELOPMENT, TRADE AND
INNOVATION

Hon. Anna Bligh MP
Deputy Premier, Treasurer
Minister for State Development,
Trade and Innovation

Stuart Booker
Acting Director-General

DEPARTMENTAL OVERVIEW

STRATEGIC ISSUES

The Department of State Development, Trade and Innovation (DSDTI) is the Government's key economic development agency and has a lead role to play in maintaining Queensland's strong economic performance and to accelerate further growth opportunities.

The department's activities continue to contribute to the strong economic performance of Queensland. The State continues to record economic growth greater than the national average - according to the latest State Accounts (September Quarter 2005), Queensland recorded an economic growth rate of 4.0% for the year to September 2005, compared to 2.5% for the rest of Australia. The department is committed to maintaining this trend, ensuring that Queensland remains the engine room of Australia's economy.

The September Quarter 2005 State Accounts also show that domestic activity in Queensland continues to expand while the value of exports, driven particularly by high global prices for the State's commodities such as coal and mineral ores, has risen.

A key focus of the department's activities has been to contribute to jobs growth. Queensland continues to drive employment growth with the State accounting for 21.5% of national employment growth in the year to March 2006. Queensland's annual employment growth rate of 1.5% in the year to March 2006 was higher than the national figure of 1.4% over the same period.

In 2006-07, both global and national economic conditions will continue to impact on Queensland. Key external factors include economic growth levels among our major trading partners including China, Japan and the United States, as well as the likelihood of continuing high oil prices. Key domestic factors include housing sector activity, business investment and ongoing population increases.

Over the past decade, the share of world trade against total global economic output has increased rapidly, buoyed by trade growth in the United States of America (USA) and Europe and exceptionally strong growth in the Asian economies, particularly China as well as India, Korea, Malaysia, Thailand and Singapore. Japan, Queensland's largest export market, has also shown modest economic growth over the past two years, with improved consumer confidence.

The department will continue to maintain a long-term focus on developing productivity in Queensland's business sector and supporting those industries that compete in the global economy. By leveraging existing economic strengths and expanding these foundations, Queensland can continue to respond quickly to new and ongoing global challenges and opportunities.

The department recognises that in the current era of dramatic technological advancement and global competition, Queensland needs to accelerate its uptake of innovation to avoid being outpaced by competitors.

The Burnett Water Infrastructure Project has been successfully implemented to achieve the Water for Bundaberg 2001 election commitment. The project included design and

construction of the Paradise Dam (opened by the Premier on 7 December 2005). Independent economists have predicted that the availability of additional, more reliable water from this infrastructure could generate up to \$800 million per year in the region and create up to 7,000 new jobs. Burnett Water Pty Ltd has been sold to SunWater, which is now responsible for the operations of the Paradise Dam, Kirar Weir and associated infrastructure. As has been envisaged since the decision was made to proceed with the Project, Burnett Water Pty Ltd was revalued down to reflect the difference between the cost of construction and the market valuation of the Project. The revaluation of Burnett Water Pty Ltd prior to the sale to SunWater resulted in a loss of \$198 million in the department's accounts. The market value reflects that the primary use of the water is for irrigation, which results in the current low pricing of the water. As a result, the department has recorded a one-off operating deficit of \$130 million. The operating deficit has no impact on the capacity of the department to deliver its services.

As one of the lead agencies in the delivery of the Smart State Strategy, the department works to create stronger linkages and collaboration across government to bring the Smart State Strategy directly to the business community.

The Government's Smart State Strategy is designed to position Queensland for the future, with a focus on developing emerging smart industries, such as biotechnology, information and communications technology, creative industries, aviation and aerospace. It also promotes knowledge, creativity and innovation to maintain prosperity and quality of life for all Queenslanders.

The department's programs and initiatives have contributed directly and will continue to contribute to advancing the Government's priorities.

GROWING A DIVERSE ECONOMY AND CREATING JOBS

The department is a major contributor to the growth of a diverse economy and jobs creation by strengthening the State's economic competitiveness by maintaining an aggressive approach to investment attraction in key sectors in which Queensland has a competitive advantage over other locations, including manufacturing, creative industries, regional service operations, marine, information and communication technology and aviation.

The department also provides assistance, both financial and non-financial, to existing businesses – growing industries that will provide the jobs of the future. There is an increased focus on trade in order to explore ways to export new products and services, pursuing business opportunities in new and emerging markets such as China and India and delivering tailored assistance to new and existing exporters to sustain and improve their performance.

The continuing commitment to build on Queensland's export capacity and capabilities was demonstrated by the significant achievements recorded under the whole-of-Government Trade Strategy. These include the increased number of new exporters, the provision of targeted assistance to new and existing exporters to enhance access to export markets and the delivery of exporter education programs. The Queensland Government's Export Solutions program will target emerging opportunities and knowledge intensive exports, thereby guaranteeing Queensland remains competitive in an increasingly global marketplace.

REALISING THE SMART STATE THROUGH EDUCATION, SKILLS AND INNOVATION

The Government is also seeking to encourage business innovation to help increase exports and create new jobs. The Government has launched the second stage of its Smart State Strategy – Smart Queensland: Smart State Strategy 2005-15. This Strategy provides the platform to generate smart, sustainable jobs and investment opportunities and ensures that Queensland remains at the forefront of science and technology innovation.

The Government has undertaken significant investment in research and development, innovation infrastructure, commercialisation initiatives and the promotion of innovation skills at the tertiary level.

The department is progressing a suite of business development and innovation strategies and sectoral development activities for a number of priority sectors identified under the Smart State Strategy.

2006-07 HIGHLIGHTS

During 2006-07, the department will focus its resources on advancing Queensland's economic growth and development in the outputs of: Business and Market Development Services and Innovation; and International Trade Development.

Business and Market Development Services and Innovation

- **Ecosciences Precinct, Health and Food Sciences Precinct and Ancillary Infrastructure.** Capital funding of \$290 million over four years has been allocated for the planning, construction and fit-out of all facilities approved within the Knowledge Based Research and Business project scope, including the Boggo Road Ecosciences Precinct, the Coopers Plains Health and Food Sciences Precinct and other ancillary offsite facilities. It is anticipated that over \$17 million will be expended in the 2006-07 financial year, with early works commencing in the last quarter. The construction of the precincts is proposed for completion in 2009-10. The future development of the Precincts will facilitate the co-location of the research activities of a number of State agencies. The department is also in discussion to co-locate with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and universities.
- **e-Health Research Centre.** \$0.3 million has been allocated to the Centre to facilitate the potential transition from a Queensland focused Centre into a nationally focused Australian e-Health Centre. This is in addition to funding of \$3.2 million previously allocated for the 2006-07 financial year which supports key projects targeted to deliver research outcomes relating to the provision of health care services and systems to assist health care workers to efficiently diagnose and treat patients at the point of care.
- **Institute of Molecular Bioscience.** An early decision to support the commitment to fund \$50 million over five years from 2009-10 to 2013-14 has been made to extend the support for this world class institute. This new funding is in addition to the \$92.5 million funding support allocated by the Queensland Government since 2000, including \$10 million in 2006-07. Under the current agreement the Institute for Molecular Bioscience will continue to receive \$10 million per annum to 2008-09. Continuation of funding will enable the Institute for Molecular Bioscience to attract and retain internationally regarded scientists, capitalise on its achievements to date and plan for the longer term.
- **Centre for Native Floriculture.** An additional funding amount of \$1.69 million over three years has been provided for Stage 2 to enable the Centre to capitalise on Queensland's

vast, diverse and unique native flora resources by developing new floriculture products to facilitate growth in the value and employment opportunities in Queensland's native floriculture industries.

- **Indigenous Business Development Program.** The program is directed at establishing viable Indigenous businesses, assisting with building Indigenous business capacity and skills and assisting with the creation of Indigenous employment opportunities throughout Queensland. Annual funding of \$2.5 million for the next four years is a continuation of the funding for the project that commenced in 2003 and has already delivered a number of substantial Indigenous employment, capacity building and business establishment outcomes and has been successful in attracting strong Commonwealth and private sector support and partnerships.

The Business and Market Development Services and Innovation output will continue to implement a number of specific new initiatives particularly designed to further the ongoing goals of the Smart State Strategy that underpins the delivery of the Smart State vision. During 2006-07 the Government remains committed to the following in regard to these initiatives:

- **The Innovation Building Fund.** Releasing round two of the Fund established in 2006, which provides a total of \$128 million over four years to build on the success of the Smart State Research Facilities Fund, to strategically fund hard infrastructure for strategic research and development throughout the State. Finalising round one agreements to support the construction of new research facilities, refurbishment of existing research facilities and the acquisition of major research equipment.
- **The Innovation Projects Fund.** Releasing round two of the Fund which provides a \$60 million package over four years commencing in 2005-06 designed to provide a coordinated strategic approach to the Government's investment in collaborative research, development and innovation for soft infrastructure. Finalising agreements for projects in key areas of research, including: agriculture, environment, health, mining, ICT, emerging technologies / advanced manufacturing, emerging technologies / transport, aviation, and security funded through round one of the Innovation Projects Fund.
- **The Innovation Skills Fund.** Releasing round two of the four year (commencing in 2005-06), \$12 million fund to attract and ensure the retention of outstanding scientific researchers in Queensland. Researchers provided with funding under round one will be undertaking projects principally in the fields of mining, health and agriculture.
- **Smart State University Internships.** Releasing round two of the internships, established in 2006, providing support for the coordination of industry placements for undergraduate and postgraduate students from Queensland Universities. The program will expose students to other disciplines and career options and increase the attractiveness of science, technology and engineering as career paths.
- **Innovation Start-Up Scheme (ISUS).** Conducting two further rounds of the ISUS scheme which provides seed funding to help highly innovative, early-stage technology companies to commercialise their newly-developed products.
- **Clean Coal Action Plan.** The plan will outline Queensland's role in addressing future needs in the areas of technology, education, business development, infrastructure and regulation. A key aspect of the plan will be the development of technologies that permit the use of the State's abundant fossil fuel, whilst meeting current and future environmental requirements. The plan intends to stimulate the development of advanced technologies that produce competitively priced electricity, chemicals and other high-end value products, whilst simultaneously addressing greenhouse emission issues and generating employment for Queenslanders. The Plan, being developed in partnership with other central agencies, industry and research organisations, will complement the new

allocation of \$300 million from the Queensland Future Growth Fund recently announced by the Queensland Government. The Plan is expected to be completed by December 2006.

- **Smart State Infrastructure.** With a significant contribution from the Government, Queensland's Smart State research infrastructure will be further strengthened with the commissioning of two new buildings to house 300 researchers in the \$65 million Queensland Brain Institute and the 350 bioengineers in the \$82 million Australian Institute for Bioengineering and Nanotechnology. These Institutes will complete the internationally recognised bioscience precinct at the University of Queensland which already houses 700 biotechnologists in Queensland's flagship investment, the Institute for Molecular Bioscience. Other key biotechnology infrastructure under development, and also supported by the Queensland Government, includes the \$70 million Institute for Health and Biomedical Innovation at Queensland University of Technology's Kelvin Grove Urban Village, Griffith University's \$34 million Eskitis Institute for Cellular and Molecular Therapies on the Queensland Government's Brisbane Innovation Park and the \$23 million Centre for Advanced Animal Science at the University of Queensland's Gatton Campus.
- **Queensland Biotechnology Strategic Plan.** Implementation of the Queensland Biotechnology Strategic Plan 2005-2015; Setting New Horizons. The \$7 million Biopharmaceuticals Australia (BPA) initiative aims to deliver contract manufacturing of drugs and vaccines for clinical trials. Whereas currently up to \$60 million nationally is contracted offshore each year, it is envisaged that BPA will play a critical role in replacing imports and promoting new drug discovery in this important field. The Biotechnology Commercialisation Pipeline will assist Queensland biotechnology companies to access private finance to enable them to progress their products to market. The \$5 million Queensland Clinical Trials Networks will be fully operational in supporting all phases of pre-clinical and clinical development of new medicines or devices by the local biotechnology industry and service providers.
- **Biotechnology and Lifesciences.** Implementation of the Biotechnology and Lifesciences Memorandum of Understanding (MOU) between Queensland and Washington State which was finalised by the Premier and Governor Gregoire on 9 May 2006. The MOU sets the areas of collaboration in lifesciences research, commercialisation, industry development and science education that both States regard as critical to building our respective industries to have global impact.

As the Government is committed to support key industry sectors, in 2006-07 the following initiatives will be progressed:

- **Ethanol Industry Action Plan.** \$4 million in 2006-07 has been allocated to progress the Action Plan, which involves a number of initiatives to assist with the introduction of ethanol as an alternative fuel source and includes a marketing campaign to boost public confidence in ethanol.
- **State-wide Forests Process.** \$5.2 million has been allocated in 2006-07 to further implement the Western Hardwoods Plan, which aims to develop sustainable forest management and grown timber supply options in the Western Hardwoods region.
- **Investment Attraction.** Continue to build Queensland's profile as an investment destination in interstate and overseas markets through engagement with key investors at selected industry events, and other promotional activities.
- **Aviation Industry Development.** Further development of new programs and infrastructure to support Queensland as a significant centre of aviation training for Australian and Asian

markets, and as a centre for research and development and system integration in the field of unmanned aerial vehicles for both civilian and military application.

- **Fibre Composites Action Plan.** Further promotion of the use of fibre composite materials by industry and government entities, particularly relating to civil engineering, aerospace and other manufacturing applications, building on the success already achieved by Queensland industry.
- **Broadband ICT Infrastructure.** Continue to work with local stakeholders to aggregate demand for ICT services to stimulate the provision of broadband infrastructure and services throughout regional Queensland recognising its significant contribution to economic development. In support of this activity develop and implement a strategic approach to secure the maximum contribution to Queensland from the Australian Government's \$1.1 billion 'Connect Australia' broadband program.

International Trade Development

- **Queensland Indigenous Arts Marketing and Export Agency (QIAMEA).** QIAMEA's objective is to establish Queensland as both a leading producer of Indigenous arts and a significant contemporary force in international and domestic markets. The budget provides an additional \$2 million over four years for QIAMEA Arts Partnership Program. QIAMEA delivers initiatives in partnership with prominent galleries, dealers, festival and event organisers across all art forms (Visual Arts and Crafts, Performing Arts and Literature) to market and export Queensland Indigenous arts internationally and domestically.
- **New Export Strategy.** Develop and release a new Export Strategy which will provide future direction for international export development.

DEPARTMENTAL OUTPUTS

The department is organised around two outputs which contribute to the Government's seven priorities:

Business and Market Development Services and Innovation

- Improving the business environment, enhancing business efficiency and assisting business start-up, survival and growth;
- Attracting major domestic and international firms to Queensland through providing information and intelligence on emerging markets and opportunities and promoting the competitive advantage that Queensland offers;
- Developing Queensland's industries through the promotion of traditional and emerging growth industries, sectoral strategies and targeted industry support programs;
- Supporting and empowering regional, rural and remote communities to identify and realise sustainable economic development opportunities;
- Facilitating sustainable economic development through the provision of leadership and coordination in economic development policy and strategic planning matters; and
- Promoting knowledge, creativity, and innovation to generate opportunities and investment in both traditional industries and those within the science and technology sectors.

International Trade Development

- Identifying international markets for Queensland's goods and services;
- Increase knowledge intensive exports; and

- Providing advice and in-market support to assist Queensland businesses and Government agencies to capture international trade opportunities and strengthen the supply capability of Queensland's exporters.

OUTPUT LINKAGES WITH GOVERNMENT OUTCOMES

Output Name	Government Outcome/ Strategic Governance
Business and Market Development Services and Innovation	A strong diversified economy
International Trade Development	Building Queensland's Economy

DEPARTMENTAL FINANCIAL SUMMARY

	2005-06 Adjusted Budget \$'000	2005-06 Est. Actual \$'000	2006-07 Estimate \$'000
CONTROLLED			
Income			
Output revenue ¹	277,704	288,087	222,571
Own source revenue	7,980	35,268	17,045
Total income	285,684	323,355	239,616
Total expenses ²	284,415	453,425	238,550
Operating Surplus / (Deficit) ³	1,269	(130,070)	1,066
NET ASSETS ⁴	87,824	13,905	37,425
ADMINISTERED			
Revenue			
Administered item revenue	1,915	1,915	1,915
Other administered revenue	3,077	77	37
Total revenue	4,992	1,992	1,952
Expenses			
Transfers of administered revenue to Government	3,512	512	472
Administered expenses	1,915	1,915	1,915
Total expenses	5,427	2,427	2,387
<p>Notes:</p> <ol style="list-style-type: none"> 1. The 2005-06 Estimated Actual includes a one-off amount of \$50 million utilised for the loan redemption associated with Burnett Water Infrastructure Project. 2. The increase in Total expenses in 2005-06 estimated actual is primarily due to the one-off revaluation of Burnett Water Pty Ltd to market value prior to sale. 3. The Operating Deficit in 2005-06 estimated actual is due to revaluation of Burnett Water Pty Ltd to market value prior to sale. 4. The decrease from 2005-06 Adjusted Budget to 2005-06 Estimated Actual is due to finalisation and sale of Burnett Water Pty Ltd to SunWater. <p>Explanations of variances are provided in the Explanation of Variances in the Financial Statements section and Output Income Statements.</p> <p>The financial statements reflect adjustments for Machinery of Government changes which took effect during 2005-06.</p>			

APPROPRIATIONS

	2005-06 Budget \$'000	2006-07 Estimate \$'000
Controlled Items		
Departmental Outputs	279,419	222,571
Equity Adjustment	7,221	22,454
Administered Items	59,514	34,315
Vote Total	346,154	279,340
<p>Note:</p> <ol style="list-style-type: none"> 1. A reconciliation of appropriations to the Financial Statements follows the Financial Statements. 		

STAFFING¹

Output/Activity	Notes	2005-06 Est. Actual	2006-07 Estimate
OUTPUTS			
Business and Market Development Services and Innovation	3	687	687
International Trade Development	4	110	110
Total Outputs		797	797
Total		797	797
Notes: 1. Full-Time Equivalents (FTEs) as at 30 June. 2. Corporate Services FTEs allocated across the outputs to which they relate. 3. Increase from 2005-06 DSDI MPS is due to staff remaining with DSDTI that were previously reported under Infrastructure and Project Facilitation and Property Services Group Outputs as well as growth due to implementing the Smart State Strategy. 4. International Trade Development does not include locally engaged staff for overseas offices.			

2006-07 OUTPUT SUMMARY

Output	Total Cost \$'000	Sources of Revenue			
		Output Revenue \$'000	User Charges \$'000	C'wealth Revenue \$'000	Other Revenue \$'000
Business and Market Development Services and Innovation	209,143	193,164	4,213	..	12,832
International Trade Development	29,407	29,407	..	..	..
Total	238,550	222,571	4,213	..	12,832
Notes: 1. Explanations of variances are provided in the Financial Statements and Output Income Statements.					

OUTPUT PERFORMANCE

OUTPUT: Business and Market Development Services and Innovation

RELATED OUTCOME: A strong diversified economy

DESCRIPTION

The output provides services to create Smart State businesses and industries to drive Queensland's economic development. Its objectives are to create dynamic, innovative and competitive businesses and to increase export capacity and strategic investment.

The output achieves these objectives by:

- Targeting the development of Queensland's strategic industry sectors.
- Helping small businesses innovate and become smarter.
- Ensuring regions capitalise on their economic objectives.
- Increasing investment in knowledge and emerging industries.
- Supporting Indigenous business development.
- Linking business to the Smart State agenda.
- Supporting key research and development and commercialisation of intellectual property.

The output is delivered through the department's central divisional structure and a State-wide network of 19 State Development Centres.

REVIEW OF OUTPUT PERFORMANCE

Recent Achievements

Significant recent achievements in targeting the development of Queensland's strategic industry sectors include:

- Developed a skills formation strategy for the pharmaceuticals industry sector.
- A report on opportunities for the complementary medicines industry to source natural ingredients was prepared.
- Les Toques Blanches program provided 97 small specialty food processors with a quality endorsement for 406 products.
- Facilitated Queensland exhibits at Fine Food Australia and Fine Food Queensland tradeshows, allowing 38 small food processors to promote their products nationally.
- Sugar Industry Innovation Fund assisted 50 sugar industry participants.
- Commenced implementation of the Queensland Ethanol Industry Action Plan 2005–2007. The number of fuel outlets retailing ethanol blended fuels increasing from 49 to 131 sites during 2005-06.
- Developed Queensland's meat industry by showcasing the industry at the World Meat Congress and Beef 2006, supported infrastructure projects at two abattoirs, and value added business development projects for three industry firms.
- Completed an inaugural Queensland Environment Industry Survey 2005 and published the findings and research on global environment business trends as the Queensland Environment Industry - Profile and Trends 2006 Report.
- Launched a three-year, \$3 million Central Queensland Manufacturing Region Initiative for the Gladstone and Rockhampton areas.

- Rolled out the Create It, Make It, Live It campaign and High Schools Program State-wide to attract students to careers in manufacturing.
- Launched a three year Fibre Composites Action Plan to build on existing Queensland capabilities and leverage new applications.
- Assisted over 1,500 manufacturers access QMI Solutions Ltd to improve productivity and competitiveness through technology and process improvement.
- Assisted Queensland firms to secure over \$210 million in competitive contracts on major projects under the Local Industry Policy.
- Facilitated the Unmanned Aerial Vehicles (UAV) International Conference and took a lead role in the development of the Kingaroy UAV Test Facility and development of flight operation protocols.
- Facilitated access to significant Defence contracts worth \$145 million to Queensland suppliers and developed the International Pilot Training program.
- Assisted marine industries through the development of a Boatbuilding Technology Roadmap, a Common User Facility feasibility study in support of an \$8 billion Naval Shipbuilding program and the successful transition of the Boatbuilding Skills Formation Strategy to industry.
- Assisted 130 firms through the Queensland Industry Development Scheme to create an estimated 1,536 jobs, \$210.6 million in exports, and \$100.3 million in investment over three years.
- Assisted 10 significant projects through Targeted Industry Grant funding.

Significant recent achievements in increasing investment in knowledge and emerging industries include:

- Attracted 11 projects to the State to create an estimated 531 new jobs and \$260 million in capital expenditure. Five of these projects, involving Executed Agreements under the Queensland Investment Incentives Scheme (QIIS), are projected to generate 281 new jobs and \$160.3 million in capital expenditure. Invest Queensland assisted the other six projects through facilitation assistance.
- Sponsored 840 migrants for either provisional or permanent residency. Business migrants attracted to Queensland during 2005-06 indicated that they expect to generate \$260 million in investment to the State and 1,050 jobs.
- Launched the Invest Queensland investment attraction promotional campaign resulting in the generation of 8000 visits to the Website, 40 new investment leads and 50 on-line enquiries.

Significant recent achievements in ensuring regions capitalise on their economic objectives include:

- Completed economic development vision statements for Queensland's regions through the Leading Smart Regions initiative.
- Funded a Business Retention and Expansion program for Innisfail.
- Implemented an Immediate Response Plan for three regions to assist retrenched workers.
- Designed and implemented three on-line regional economic development tools to assist development practitioners take a strategic approach to regional economic development.
- Placed a local economic development liaison officer at the Local Government Association of Queensland to build economic development capacity within local government and establish strong links between the two levels of Government.
- Completed three projects with the Institute for Sustainable Regional Development to ensure Queensland's regions share the benefits of economic growth.

- Assisted six regions to develop business cases in an effort to attract broadband infrastructure and service providers to establish infrastructure and services in Regional Queensland.
- Provided funding assistance under the Queensland Regional Development Initiative program to regional development organisations.
- Determined a Western Hardwoods allocation buyback strategy to achieve a 25% buyback of the Crown Hardwoods allocation.
- Developed the Recycled Timber Industry Plan to assist development of the emerging recycled timber industry sector.
- Facilitated 200 mentors who supported 116 businesses through nine mentoring groups under the Mentoring for Growth Program.
- Finalised the Cairns CBD Revitalisation Strategy that will provide a catalyst for attracting approximately \$0.9 billion investment to the central business district.
- Implemented activities under the Palm Island Economic Development Action Plan.
- Funded a study of the long term impacts of demographic change in the Wide Bay region.
- Assisted 10 organisations through the Regional Business Development Scheme.
- Assisted businesses in communities impacted by Cyclone Larry through; one-on-one business consultations; provision of a Queensland Government Business Hotline and web page that provides access to business assistance products and services and a comprehensive information and referral service covering products and services provided by Government organisations to business. In excess of 480 clients have been helped with applications for financial assistance.

Significant recent achievements in delivering the Smart State agenda include:

- Reviewed and released a Code of Ethical Practice for Biotechnology.
- Commenced implementation of the Queensland Biotechnology Strategic Plan - Biotechnology Setting New Horizons 2005-2015 by launching the Queensland Scale-Up Manufacturing Facility initiative, establishing a Clinical Trials Network and commercialisation pipeline, and leading a 70 person delegation to BIO2006.
- Implemented initiatives under the Creativity is Big Business strategy by facilitating two business matching events, releasing a commercialisation pipeline, conducting the Creating Connections export development program and establishing a Creative Industries Hub.
- Released and announced the successful recipients of round one of the Smart State Building Fund to support the construction of new research facilities, refurbishment of existing research facilities and the acquisition of major research equipment in Queensland.
- Released and announced round one of the Smart State Innovation Projects Fund funding to support priority collaborative research, development and innovation projects.
- Released and announced round one of the Smart State Innovation Skills Fund providing funding for talented students and researchers to undertake innovative, ground-breaking research in Queensland.
- Released and announced round one of the Smart State University Internships program, providing support for the coordination of industry placements for undergraduate and postgraduate students from Queensland Universities.
- Conducted round seven of the Innovation Start-Up Scheme which provides seed funding to help highly innovative, early-stage technology companies to commercialise their newly-developed products.
- Facilitated establishment of a Queensland Nano Alliance to provide advice, coordinate actions, influence priorities and encourage sustainable economic growth.

- Completed concept planning for construction of the Ecosciences Precinct at Boggo Road and the Health and Food Sciences Precinct at Coopers Plains.

Significant recent achievements developing Indigenous business capacity include:

- Established over 285 jobs and 43 Indigenous businesses over the first three years of the Indigenous Business Development Grants Scheme.
- Attracted more than twice the financial support provided by the State from the Commonwealth and the private sector for all Indigenous businesses assisted.
- Facilitated a successful 2005 Premier's Reconciliation Business Forum, with over 160 business and Indigenous participants.

The output is guided by rigorous financial and probity checks. Significant recent achievements include:

- Provided 17 economic evaluations, 17 due diligence and probity assessments and managed over 100 Agreements for QIIS and other major industrial and infrastructure projects.
- Reviewed 75 Foreign Investment Review Board applications referred by the Commonwealth to assess the benefit or otherwise to Queensland.
- Provided 80 economic evaluations and 62 due diligence and probity assessments for the Smart State Innovation Funds.
- Completed governance arrangements for the Burnett Water Infrastructure project including preparation for the sale of Burnett Water Pty Ltd to SunWater.

Future Developments

During 2006-07, the output will target the development of Queensland's strategic industry sectors by focusing on the following key priorities:

- Update and implement the Queensland Pharmaceuticals Action Plan and promote growth of the complementary medicines industry.
- Implement a campaign to raise public awareness and increase consumer confidence in using ethanol blended fuels.
- Develop an alternative fuels policy to expand Queensland's fuel base.
- Finalise the Queensland Processed Food Industry Development Strategy.
- Finalise the Marine Aquaculture Policy with development of Regional Marine Aquaculture Plans.
- Finalise and implement the Queensland Environment Industry – Business Challenges and Opportunities Action Plan.
- Deliver support programs under the Manufacturing Strategy, Advanced Manufacturing Plan and Central Queensland Manufacturing Region initiative.
- Implement sector-specific initiatives under the Fibre Composites Action Plan.
- Refine the Local Industry Policy and complement its delivery with manufacturing capability and supply chain improvement programs.
- Develop a business case for Amberley Aerospace Park.
- Assist marine industries through strategic boatbuilding supply chain development and facilitating strategic recreational marine infrastructure. Development of a Queensland superyacht market development strategy and a Queensland Naval Shipbuilding market development initiative is also planned.
- Revise the Queensland Aviation Development Plan. This will help build the critical mass of the local industry and position Queensland as a major aviation hub for the Asia-Pacific region.

- Implement the new 'Invest Queensland' investment attraction strategy in interstate and overseas markets.

Significant future developments to ensure regions capitalise on their economic objectives:

- Work with Commonwealth and local governments to stimulate broadband ICT infrastructure to drive competition and bring broadband to regional Queensland.
- Implement the Western Hardwoods and Recycled Timber Industry Plans.
- Expand the Queensland Capital Raising Pipeline into Regional Queensland.
- Build Queensland's regions by taking a leadership role in regional economic development.
- Secure investments for Regional Queensland and Smart State industry sectors.
- Continue to facilitate the Strategic Industry Directions Forum with the objective of preparing regional economic development strategies focussing on medium and long term recovery across the breadth of primary, secondary and tertiary industries impacted by Cyclone Larry. Local business, industry, local government and other business related government agencies are key partners in this process. Respective agencies will ensure that strategies are reflected in core business activities, as appropriate.

Progressing the delivery of the Smart State agenda:

- Progress the Biotechnology Strategy by continuing implementation of the Biotechnology Commercialisation Pipeline and developing comprehensive action plans for health and medical, agricultural, environmental and industrial sub-sectors and industry drivers.
- Implement further initiatives under the Creative Industries strategy including the Creative Industries Mentoring Scheme, the Books in Queensland Schools project, Architecture to Asia, Vortex 4 business planning and management courses; and Design in Manufacturing.
- Develop and implement industry development action plans and strategic plans relating to nanotechnology, clean coal, commercialisation and targeted sectoral based skills formation.
- Release round two of the Smart State Building Fund to support the construction of new research facilities, refurbishment of existing research facilities and the acquisition of major research equipment in Queensland.
- Release round two of the Smart State Innovation Projects Fund which provides funding to support priority collaborative research, development and innovation projects.
- Release round two of the Smart State Innovation Skills Fund providing funding for talented students and researchers to undertake innovative, ground-breaking research in Queensland.
- Release round two of the Smart State University Internships program providing support for the coordination of industry placements for undergraduate and postgraduate students from Queensland Universities.
- Release two rounds of the Innovation Start-Up Scheme which provides seed funding to help highly innovative, early-stage technology companies to commercialise their newly-developed products.
- Review and release updated Queensland Research and Development Priorities.
- Finalise design, construction and fit-out planning for the Ecosciences Precinct at Boggo Road and the Health and Food Sciences Precinct at Coopers Plains.
- Further develop a State-wide technology incubator network.

Key future activities in developing Indigenous business capacity:

- Facilitate a successful 2006 Premier's Reconciliation Business Forum.

- **Launch the Gatherings two Indigenous Art Initiative.**
- **Assist the establishment of new businesses through Indigenous business establishment and capacity building initiatives.**
- **Establish an additional Indigenous Community Business Hub in Regional Queensland.**

OUTPUT STATEMENT

Output: Business and Market Development Services and Innovation				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Number of business licences processed		16,500	16,350	17,000
Number of clients, businesses and economic development organisations assisted through Business and Market Development Services and Innovation grant funding to leverage:				
• Business development		320	312	317
• Industry development	1	208	150	171
• Regional development	2	66	52	84
• Innovation products and services	3	29	58	156
Number of clients, businesses and economic development organisations assisted through Business and Market Development Services and Innovation support:				
• Industry development assistance	4	4,899	6,593	5,989
• Significant business consultations	5	14,150	15,750	14,192
• Access to business opportunities		150	165	160
• Innovation products and services	6	180	424	938
Number of information transactions and packages distributed	7	311,276	429,514	434,963
Number of information/skills development programs conducted		908	1,148	1,210
Number of participants on information/skills development programs	8	31,584	31,559	27,740
Number of regional areas assisted to address industry/labour structural adjustment		18	18	18
Number of regulatory reform projects and services		293	282	256
Number of retail shop leases disputes mediated		1,375	1,340	1,375
Number of significant economic development projects and analyses completed	9	98	81	128
Number of companies attracted to invest or reinvest in Queensland	10	33	21	32
Number of investment leads generated and/or followed up	11	400	341	402
Number of targeted investment information briefs and submissions developed		100	105	100

Output: Business and Market Development Services and Innovation				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Number of Foreign Investment Review Board advices		65	75	66
Quality				
% of Queensland based institutions applying the Code of Ethical Practice for Biotechnology		95%	95%	95%
% of retail shop leases disputes resolved through informal negotiations		91%	91%	91%
% of satisfaction ratings greater than or equal to 3 (on a 1 to 5 scale) of clients with Business and Market Development Services and Innovation		95%	95%	95%
Estimated number of jobs generated and/or retained through Business and Market Development Services and Innovation	12	7,084	6,383	7,740
Estimated value of business won by Queensland firms accessing business opportunities		\$15 million	\$15 million	\$16.3 million
Estimated value of capital investment generated through Business and Market Development Services and Innovation		\$0.6 billion	\$0.6 billion	\$0.6 billion
Estimated value of exports generated/import replacement through Business and Market Development Services and Innovation	13	\$320.6 million	\$534.4 million	\$319.1 million
Estimated value of savings to business and Government by accessing Business and Market Development Services and Innovation (provided through retail shop leases dispute resolution, red tape reduction, SmartLicence and GOBIS)	14	\$39.2 million	\$40.7 million	\$45.4 million
Timeliness				
Average time to respond to and resolve complaints under the Code of Ethical Practice for Biotechnology	15	8 weeks	..	8 weeks
Location				
% of Business and Market Development Services and Innovation clients assisted who are located in regional Queensland		50%	45%	48%
% of Business and Market Development Services and Innovation information/skills development programs conducted in regional Queensland		76%	77%	76%

Output: Business and Market Development Services and Innovation				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
State Contribution (\$'000)		246,804	257,234	193,164
Other Revenue (\$'000)		7,291	34,559	17,045
Total Cost (\$'000)	16	252,826	421,863	209,143
<p>Notes:</p> <ol style="list-style-type: none"> 1. The decrease between the 2005-06 target and the 2005-06 estimated actual and 2006-07 target is primarily due to targeting of higher value and more complex projects. 2. The increase between the 2005-06 target and the 2006-07 target is primarily due to the resolution of the Western Hardwood Agreement which will provide specific assistance to the timber industry in 2006-07. 3. The increase between the 2005-06 target and the 2005-06 estimated actual is due to the greater level of interest in new innovation grant programs exceeding expectations. The increase between the 2005-06 target and the 2006-07 target reflects the expectation that the level of interest in innovation grant programs will continue to escalate, combined with an increased number of funding rounds being finalised in the year. 4. The increase between the 2005-06 target and the 2005-06 estimated actual and 2006-07 target is primarily due to an increased contribution from Technology and Commercialisation activities. 5. The increase between the 2005-06 target and the 2005-06 estimated actual relates to an increased client demand for business advice, information and referrals throughout the State Development Centre Network. 6. The increase between the 2005-06 target and the 2005-06 estimated actual is primarily due to clients assisted following the introduction of the Research and Development Advisory Services Unit. The increase between the 2005-06 target and the 2006-07 target is expected due to the inclusion of ICT Sectoral Development as a new measure. 7. The increase between the 2005-06 target and the 2005-06 estimated actual and 2006-07 target is primarily due to new and enhanced content appearing on the department's website generating increased interest from clients. 8. The decrease between the 2005-06 target and the 2006-07 target primarily reflects the shift toward on-line delivery of information. 9. The increase between the 2005-06 target and the 2006-07 target is primarily due to Sustainable Industry projects which are expected to produce a significant increase in economic development projects and analysis conducted in 2006-07. 10. The decrease between the 2005-06 target and the 2005-06 estimated actual is largely due to the Queensland investment environment being conducive to investment without the need for direct government intervention through incentives. 11. The decrease between the 2005-06 target and the 2005-06 estimated actual is due to a combination of delays experienced in negotiations on projects and an intensification of competition globally. 12. The decrease between the 2005-06 target and the 2005-06 estimated actual is primarily due to a number of projects that were expected to be completed this year still being under negotiation. These are expected to be realised during 2006-07. The increase between the 2005-06 target and the 2006-07 target is due to an expected increase in investment following the 2005-06 launch of the Invest Queensland Strategy. 13. The increase between the 2005-06 target and the 2005-06 estimated actual is primarily a reflection of buoyant economic conditions. 14. The increase between the 2005-06 estimated actual and the 2006-07 estimated target is due to the incorporation of a new \$6 million estimated target expected through the Red Tape Reduction Stocktake. 15. The decrease between the 2005-06 target and the 2005-06 estimated actual is a result of no complaints being received under the Code of Ethical Practice for Biotechnology. 16. Refer Output Income statement for Business and Market Development Services and Innovation. 				

Output Income Statement – Business and Market Development Services and Innovation

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue	1	246,804	257,234	193,164
User charges		4,056	4,204	4,213
Grants and other contributions	2	2,871	30,000	12,832
Other Revenue		364	355	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		254,095	291,793	210,209
Expenses				
Employee expenses		52,627	50,669	49,837
Supplies and services	3	31,091	34,353	28,367
Grants and subsidies	4	149,304	116,675	119,665
Depreciation and amortisation		2,250	2,264	2,038
Finance/borrowing costs	5	17,463	17,463	9,178
Other expenses		91	211	58
Losses on sale/revaluation of property, plant and equipment and investments	6	..	200,228	..
Total expenses		252,826	421,863	209,143
OPERATING SURPLUS/ (DEFICIT)	7	1,269	(130,070)	1,066

Notes:

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. The variance primarily reflects the carryover of funding from 2004-05 into 2005-06 as a result of the timing of projects and payment milestones under Grants schemes.
2. Reflects the increase in Grants from the Estates Construction Fund (Commercialised Business Unit) for loan redemption associated with Burnett Water Pty Ltd and contributions applied to industry development projects.
4. Variance for Grants and subsidies is due to later than expected milestone payments.
6. The Loss is primarily due to revaluation of Burnett Water Pty Ltd to market value prior to the sale.
7. The Operating deficit is due to revaluation of Burnett Water Pty Ltd to market value prior to the sale.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. The decrease primarily reflects the deferral of funding to outyears for Grants and subsidies to meet project milestones and future commitments.
2. Reflects increase Grants from the Estates Construction Fund (Commercialised Business Unit) for contributions applied to industry development projects.
3. Refer to Note 1.
4. Variance for Grants and subsidies reflects funding required to meet milestone payments.
5. The decrease in Finance/borrowing costs in 2006-07 reflects the redemption of debt for the Burnett Water Infrastructure Project.

The financial statements, including the 2005-06 Adjusted Budget, reflect adjustments for Machinery of Government changes which took effect during 2005-06. Further detail of these adjustments is contained in the Explanation of Variances in the Financial Statements section.

OUTPUT PERFORMANCE

OUTPUT: International Trade Development

RELATED OUTCOME: Building Queensland's Economy

DESCRIPTION

International Trade Development identifies and develops international markets for Queensland's goods and services and provides targeted market intelligence, advice and in-market support to Queensland businesses and Government agencies to capture international trade opportunities and strengthen the supply capability of Queensland's exporters.

Export services are provided through the department's Trade and International Operations Division, its overseas network of 10 Queensland Government Trade and Investment Offices, its three Special Representatives and a Queensland Government Representative in Qatar, as well as the department's 19 State Development Centres. The services provided by the output are targeted at potential, new and existing exporters, and Government agencies, as well as international buyers and officials who can influence private and public sector purchasing decisions in overseas markets.

REVIEW OF OUTPUT PERFORMANCE

Recent Achievements

- The implementation of the whole-of-Government Trade Strategy has focused on the development of:
 - Export awareness and skills – contributed to stronger export awareness and skills through the delivery of Export Passport seminars to 1,182 Queensland businesses since its commencement in 2003;
 - Targeted assistance to companies – since the launch of the Trade Strategy in October 2001, the Government and its allies have assisted a total of 792 (as at 31 March 2006) Queensland businesses to achieve 'new exporter' status. These businesses have helped expand and diversify Queensland's export base; and
 - Export awards – the State-wide Premier of Queensland Export Awards attracted 180 applications in 2005. In addition, other award programs were supported including ten regional export award programs and two bilateral chamber-of-commerce export award programs.
- Export Week 2005 from 24 – 28 October 2005 featured:
 - The release of the Queensland Export Statement 2004-05 by the Premier and Deputy Premier highlighting the State's export progress;
 - The Export Showcase Queensland where the Queensland Government's Trade and Investment Commissioners were available to provide market information to over 400 Queensland business representatives who attended; and
 - Market information sessions held by the Queensland Government's Trade and Investment Commissioners throughout regional Queensland.

- The Queensland Indigenous Arts Marketing and Export Agency (QIAMEA) delivered international art exhibitions in Canada, France (two) and the United Kingdom (UK), supported a literary tour to the UK and promoted Indigenous music to the United States. Exhibitions and festivals targeting both Australian and international buyers, collectors, institutions, festivals and event planners have generated over \$570,000 in gross sales. Over 85 Indigenous artists have been assisted and attendance at exhibitions and events has exceeded 6,000 people.
- International Aid and Development Business (IADB) assisted Queensland organisations to win a total of \$145 million in contracts for the provision of services to international aid and development activities.
- The Middle East Export Strategy has been successful with seven Queensland companies reporting over \$4.2 million in sales in the Middle East market.
- Queensland Government Trade and Investment Office - Indonesia assisted the Queensland University of Technology with local partners to secure AusAID funding for projects worth \$1.6 million.
- 32 representatives from 17 Queensland organisations travelled to the China Coal 2005 Mining Expo, with Longwall Associates already confirming export business of approximately \$231,000 in contracts.
- Queensland Government Trade and Investment Office - Hong Kong and Southern China assisted a smallgoods company secure an order of pork meat valued at \$400,000 to a major supermarket chain.
- Queensland Government Trade and Investment Office - Japan facilitated the formation of a joint venture with Japanese companies worth \$3 million for the export and production of a Queensland food sector company's product range in Japan.
- Equine sales to Korea and Japan to the March quarter 2006 amounted to \$4.59 million (\$2.79 million to Korea and \$1.8 million to Japan).
- Queensland Government Trade and Investment Office - Japan assisted a Brisbane based company, Prepared Foods Australia, to achieve an annual sales contract valued at \$847,000.
- The India Mining Export Strategy has been successful in assisting four Queensland companies to achieve combined sales of \$23.6 million.
- Queensland Government Trade and Investment Office - India assisted a Bundaberg based company, Jabiru Aircraft Pty Ltd to supply aircraft engines for aircraft assembly in India.
- The Government's South America Mining Initiative has thus far generated over \$8.8 million in export sales in 2005-06.
- Queensland Government Trade and Investment Office - The Americas' support for Queensland's creative industries resulted in Nick Earls novel "48 Shades of Brown" being made into a movie. The movie was shot in Brisbane, with the total project value and export sales estimated in excess of \$1 million (excluding additional royalty earnings).
- The Government hosted the staging of Global Navigation Satellite Systems (GNSS) and the Galileo Information Forum in February 2006 which has already resulted in exports of \$1 million by Queensland technology producers.

Future Developments

- The Government will focus on the growth markets of China, India, Russia, Latin America and the Middle East.

- The promotion of Queensland's competitive strengths will focus on:
 - The mining and minerals processing sectors, through projects in Latin America, China, India and Russia; and
 - Increasing the promotion and export of Queensland's value-added and knowledge intensive goods and services to key markets.
- Pursue export opportunities from the implementation of Free Trade Agreements with Thailand, Singapore and USA.
- Broaden and deepen relationships with international development agencies including the Millennium Challenge Corporation, an independent United States Government corporation and development-assisted governments such as Vietnam.
- Broadening and deepening the relationship with the Moscow City Government and promotion of Queensland expertise in mining services and equipment, ICT, infrastructure services and marine services and equipment into the Russian market through initiatives such as Australia Week in Moscow in June 2006.
- QIAMEA will continue to deliver initiatives in partnership with prominent galleries, dealers, festival and event organisers across all art forms (Visual Arts and Crafts, Performing Arts and Literature), to market and export Queensland Indigenous arts internationally and domestically.
- Develop and release a new Export Strategy which will provide future direction for international export development.

OUTPUT STATEMENT

Output: International Trade Development				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Quantity				
Number of client firms converted from non-exporters to exporters	1	180	259	180
Number of client firms provided with export assistance		3,000	3,100	3,000
Number of strategic export projects implemented		15	21	15
Number of exporter development initiatives delivered		192	191	192
Number of trade initiatives promoting Queensland projects and services		35	40	35
Quality				
Estimated value of exports generated by client firms assisted		\$450 million	\$450 million	\$450 million
% of client firms provided with export assistance that increased export sales		60%	60%	60%
% satisfaction with exporter development initiatives		90%	90%	90%
Location				
% of client firms provided with export assistance based in regional Queensland		35%	35%	35%
State Contribution (\$'000)		30,900	30,853	29,407
Other Revenue (\$'000)		689	709	..
Total Cost (\$'000)		31,589	31,562	29,407
Note: 1. Strong uptake by firms in South-East Queensland, especially Brisbane and the Gold Coast has contributed to the increase in new exporters.				

Output Income Statement – International Trade Development

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue	1	30,900	30,853	29,407
User charges	2	644	644	..
Grants and other contributions		..	..	..
Other Revenue		45	65	..
Gains on sale/valuation of property, plant and equipment and investments		..	..	..
Total income		31,589	31,562	29,407
Expenses				
Employee expenses	3	16,014	16,102	15,291
Supplies and services	4	14,429	14,311	13,067
Grants and subsidies	5	413	793	724
Depreciation and amortisation		399	315	288
Finance/borrowing costs		..	..	..
Other expenses	6	334	41	37
Losses on sale/valuation of property, plant and equipment and investments		..	..	..
Total expenses		31,589	31,562	29,407
OPERATING SURPLUS/ (DEFICIT)		..	..	..
<p>Notes:</p> <p>Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:</p> <ol style="list-style-type: none"> 5. An increase in Grants and subsidies primarily due to increases in Grants by the Queensland Indigenous Art Marketing and Export Agency. 6. The variation reflects realignment of Other expenses to Grants and subsidies due to the allocation of funds due to transfer via Machinery of Government to DSDTI. <p>Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:</p> <ol style="list-style-type: none"> 1. The decrease reflects the funds carried over from 2004-05 to 2005-06. 2. The decrease in User charges is due to funding estimates for Export Awards not being finalised for 2006-07 until the end of 2005-06. 3. Refer to Note 1. 4. Refer to Note 1. 5. An decrease in Grants and subsidies primarily due to increases in Grants for the Queensland Indigenous Art Marketing and Export Agency. 6. The variation reflects realignment of Other expenses to Grants and subsidies due to the allocation of funds due to transfer via Machinery of Government to DSDTI. <p>The financial statements, including the 2005-06 Adjusted Budget, reflect adjustments for Machinery of Government changes which took effect during 2005-06. Further detail of these adjustments is contained in the Explanation of Variances in the Financial Statements section.</p>				

ADMINISTERED ITEMS

DESCRIPTION

Significant administered items for the department include:

Smart State Research Facilities Fund

The Queensland Government approved \$170 million over five years for the Smart State Research Facilities Fund (SSRFF). The SSRFF facilitated the establishment of world-class science and technology infrastructure in Queensland to enable specialised research and foster partnerships between industry, the research sector, and government. Agreements to fund SSRFF projects provide a return to the State over the term of the funding agreement (usually 30 years).

Four SSRFF funding rounds were conducted, resulting in commitments totaling \$170 million to 26 projects with a total project value of \$587.14 million. Almost 70% of committed SSRFF funds are supporting projects in medical research from trials for cancer drugs and therapies to promoting bone re-growth and the discovery of new therapeutic drugs from Queensland's mega diverse flora and fauna. Other major projects benefiting from State Government investment through the SSRFF include: \$20 million towards the \$50 million Australian Institute for Bioengineering and Nanotechnology at the University of Queensland's St Lucia campus and \$22.5 million towards the Queensland University of Technology's \$70 million Institute for Health and Biomedical Sciences.

The fourth and final round of the SSRFF received 21 applications seeking a total investment of \$139.8 million. Successful recipients were announced at BIO2005 in Philadelphia, USA (19-22 June 2005) and included: \$20 million towards the \$60 million University of Queensland Centre for Clinical Research to be located at Queensland Health's Royal Brisbane and Women's Hospital; \$3.5 million toward the establishment of the Queensland Compound Library at Griffith University; \$3.53 million to the Queensland University of Technology to establish an Australian Centre for Aerospace Automation and \$1.5 million to the Australian Museum to refurbish and improve the Lizard Island Research Station, located off the coast of Cairns. The Government has an ongoing commitment to administering the funding agreements with successful applicants. The Smart State Innovation Building Fund replaces and expands upon the success of the SSRFF.

CAPITAL ACQUISITIONS

The majority of the department's capital acquisitions are in the form of Information and Communication Technology (ICT). With the increase in the asset recognition threshold from 1 July 2005, there will be a decrease in capital expenditure for the majority of Computer and Office Equipment as these items are now treated as an expense.

The most significant level of capital expenditure by the department is now in the form of new and enhanced business applications / software, large multi-function devices (combined copier/printer/fax/scanner), server infrastructure and in new connections to and upgrades of the Information Technology (IT) network infrastructure.

The ICT Resources Strategic Plan has been developed to ensure value for money from the department's ICT purchases, maintenance, and disposal strategies. All major capital investments are the subject of economic evaluation to ensure that all projects are value for money and meet the department's service delivery requirements.

Property, Plant and Equipment

During the 2005-06 financial year the department:

- Completed a major upgrade to its IT Network Infrastructure, including the broadband upgrade of the DSDTI Wide Area Network that supports the 19 State Development Centres and a number of other non-Central Business District (CBD) office locations;
- Commenced the Print Acquisition Strategy of replacing individual printers, scanners, faxes and photocopiers with multi-function devices; and
- Commenced its Enterprise Application Architecture Project for converting all major business systems to a single standard .Net environment.

During the 2006-07 financial year the following initiatives/projects will be undertaken:

- Further implementation of the Enterprise Application Architecture including the re-development of the SmartSite and Phoenix applications;
- Implementation of a Web Conferencing solution;
- Further implementation of the Print Acquisition Strategy; and
- Upgrade of IT Network Infrastructure and ICT equipment that supports the 10 Overseas Queensland Government Trade and Investment Offices.

Ecosciences Precinct, Health and Food Sciences Precinct and Ancillary Infrastructure

DSDTI is undertaking detailed planning for the future construction of the Ecosciences Precinct at Boggo Road, the Health and Food Sciences Precinct at Coopers Plains and related ancillary infrastructure. The future development of the precincts will facilitate the co-location of research activities of the Department of Primary Industries and Fisheries, Department of Natural Resources, Mines and Water and the Environmental Protection Agency and is also in discussion to co-locate with Commonwealth Scientific and Industrial Research Organisation (CSIRO).

During the 2006-07 financial year DSDTI will plan for the construction and fit out of the precincts and ancillary infrastructure. The construction of the precincts is proposed for completion in 2009-10.

CAPITAL ACQUISITION STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
<u>PROPERTY PLANT AND EQUIPMENT</u>				
Property Plant and Equipment				
- Computer Equipment	1	1,193	843	527
- Burnett Water Infrastructure Project	2	20,328	32,416	..
- Ecosciences Precinct at Boggo Road and the Health and Food Sciences Precinct at Coopers Plains.	3	..	..	17,600
Other acquisitions of property, plant and equipment		223	223	223
TOTAL PROPERTY PLANT AND EQUIPMENT		21,744	33,482	18,350
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other Capital Acquisitions		..	..	..
Other Items		..	..	..
TOTAL OTHER CAPITAL ACQUISITIONS		..	..	..
TOTAL CAPITAL ACQUISITIONS		21,744	33,482	18,350
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity Adjustment	4	(1,007)	11,193	16,600
Funding for depreciation and amortisation		2,423	1,961	1,750
Borrowings	5	20,328	20,328	..
Proceeds of asset sales		..	..	..
Other		..	..	..
TOTAL FUNDING SOURCES		21,744	33,482	18,350
Notes: 1. The variances reflect the transfer of capital funding to operating due to change in accounting policy in regard to asset recognition thresholds. 2. The variance reflects the final payment profile for the project and completion of the project in 2005-06. 3. The increase represents new funding provided for this project in 2006-07. 4. The increase from the 2005-06 Adjusted Budget to 2005-06 Estimated Actuals reflects a deferral of funds from 2004-05. The variance from 2005-06 Adjusted Budget to 2006-07 Estimate reflects the new funding source. 5. The variance reflects the completion of the Burnett Water Infrastructure Project in 2005-06.				

DEPARTMENTAL FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
Output revenue	1	277,704	288,087	222,571
User charges	2	4,700	4,848	4,213
Grants and other contributions	3	2,871	30,000	12,832
Other revenue		409	420	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		285,684	323,355	239,616
Expenses				
Employee expenses		68,641	66,771	65,128
Supplies and services	4	45,520	48,664	41,434
Grants and subsidies	5	149,717	117,468	120,389
Depreciation and amortisation		2,649	2,579	2,326
Finance/borrowing costs	6	17,463	17,463	9,178
Other expenses		425	252	95
Losses on sale/revaluation of property, plant and equipment and investments	7	..	200,228	..
Total expenses		284,415	453,425	238,550
OPERATING SURPLUS / (DEFICIT)	8	1,269	(130,070)	1,066

STATEMENT OF CHANGES IN EQUITY

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Net effect of the adoption of a new accounting standard		(19,774)	(20,350)	..
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		(19,774)	(20,350)	..
Surplus/ (deficit) for the period		1,269	(130,070)	1,066
Total recognised income and expense for the period		(18,505)	(150,420)	1,066
Equity injection/ (withdrawal)		13,233	89,335	22,454
Equity adjustments (MoG Transfers)		(39,663)	(39,663)	..
Total movement in equity for period		(44,935)	(100,748)	23,520

BALANCE SHEET

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets	1	759	11,031	9,093
Receivables		5,270	3,774	3,344
Other financial assets		..	..	..
Inventories		..	..	..
Other	2	542	1,307	1,307
Non-financial assets held for sale		..	..	..
Total current assets		6,571	16,112	13,744
NON-CURRENT ASSETS				
Receivables		7,471	7,472	7,614
Other financial assets		..	..	..
Property, plant and equipment	3	428,470	149,498	165,522
Intangibles		..	..	..
Other		18,090	17,940	17,338
Total non-current assets		454,031	174,910	190,474
TOTAL ASSETS		460,602	191,022	204,218
CURRENT LIABILITIES				
Payables		2,606	3,748	3,318
Accrued employee benefits	4	4,666	2,791	2,791
Interest-bearing liabilities and derivatives	5	883	7,540	7,998
Provisions		..	..	..
Other	6	566	4,486	2,133
Total current liabilities		8,721	18,565	16,240
NON-CURRENT LIABILITIES				
Payables		..	..	..
Accrued employee benefits	7	2,705	4,026	4,026
Interest-bearing liabilities and derivatives	8	361,352	154,526	146,527
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		364,057	158,552	150,553
TOTAL LIABILITIES		372,778	177,117	166,793
NET ASSETS (LIABILITIES)		87,824	13,905	37,425
EQUITY				
Capital/Contributed equity	9	84,966	138,803	161,257
Retained surplus/ (Accumulated deficit)	10	2,766	(124,898)	(123,832)
Reserves:				
- Asset revaluation reserve		92	..	..
- Other (specify)		..	..	..
TOTAL EQUITY		87,824	13,905	37,425

CASH FLOW STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Output receipts	1	277,704	297,782	222,571
User charges		6,042	6,190	5,555
Grants and other contributions	2	2,871	32,353	10,479
Other		22,880	22,891	22,471
Outflows:				
Employee costs		(68,253)	(66,383)	(65,128)
Supplies and services		(66,667)	(69,211)	(63,389)
Grants and subsidies	3	(149,717)	(127,163)	(120,389)
Borrowing costs	4	(17,463)	(17,463)	(9,178)
Other		(1,681)	(1,508)	(1,351)
Net cash provided by/ (used in) operating activities		5,716	77,488	1,641
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment	5	..	66,000	..
Investments redeemed		..	..	..
Loans and advances redeemed		..	..	..
Outflows:				
Payments for property, plant and equipment	6	(30,642)	(41,282)	(18,350)
Payments for intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made		..	..	..
Net cash provided by/ (used in) investing activities		(30,642)	24,718	(18,350)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings	7	20,328	20,328	..
Equity injections	8	14,240	90,342	23,454
Outflows:				
Borrowing redemptions	9	(7,441)	(208,224)	(7,683)
Finance lease payments		..	..	..
Equity withdrawals		(1,007)	(1,007)	(1,000)
Net cash provided by/ (used in) financing activities		26,120	(98,561)	14,771
Net Increase/ (decrease) in cash held		1,194	3,645	(1,938)
Cash at the beginning of financial year		148	7,969	11,031
Cash transfers from restructure		(583)	(583)	..
Cash at the end of financial year		759	11,031	9,093

INCOME STATEMENT

EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Revenues	1			
Commonwealth grants		..	..	..
Taxes, fees and fines		14	14	14
Royalties, property income and other territorial revenue		..	..	..
Interest		23	23	23
Administered item revenue		1,915	1,915	1,915
Other		3,040	40	..
Total revenues		4,992	1,992	1,952
Expenses				
Supplies and services		..	..	..
Depreciation and amortisation		..	..	..
Grants and subsidies		1,915	1,915	1,915
Benefit payments		..	..	..
Borrowing Costs		..	..	..
Other		..	..	..
Total expenses		1,915	1,915	1,915
Net surplus or deficit before transfers to Government		3,077	77	37
Transfers of Administered Revenue to Government		3,512	512	472
OPERATING SURPLUS/ (DEFICIT)		(435)	(435)	(435)

BALANCE SHEET

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets	1	1,368	9,034	9,034
Receivables		2,738	1,305	1,305
Inventories		..	..	..
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		4,106	10,339	10,339
NON-CURRENT ASSETS				
Receivables	2	120,445	138,128	170,093
Other financial assets	3	20,000	..	..
Property, plant and equipment	4	5,456	4	4
Intangibles		..	..	..
Other		..	..	..
Total non-current assets		145,901	138,132	170,097
TOTAL ADMINISTERED ASSETS		150,007	148,471	180,436
CURRENT LIABILITIES				
Payables	5	..	5,009	5,009
Transfers to Government payable		..	..	..
Interest-bearing liabilities		..	..	..
Other		..	..	..
Total current liabilities		..	5,009	5,009
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities		5	5	5
Other		..	..	..
Total non-current liabilities		5	5	5
TOTAL ADMINISTERED LIABILITIES		5	5,014	5,014
ADMINISTERED NET ASSETS/ (LIABILITIES)		150,002	143,457	175,422
EQUITY				
Capital/Contributed equity	6	158,096	156,076	188,476
Retained surplus/(Accumulated deficit)		(8,094)	(12,619)	(13,054)
Reserves:				
- Asset revaluation reserve		..	..	..
- Other (specify)		..	..	..
TOTAL ADMINISTERED EQUITY		150,002	143,457	175,422

CASH FLOW STATEMENT

CASH FLOWS ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Administered item receipts		1,915	1,915	1,915
Grants and other contributions	1	3,000	..	..
Taxes, fees and fines		14	14	14
Royalties, property income and other territorial revenues		..	..	..
Other		498	498	458
Outflows:				
Transfers to Government	2	(3,512)	(512)	(472)
Grants and subsidies		(1,915)	(1,915)	(1,915)
Supplies and services		..	..	..
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:				
Payments for property, plant and equipment		205	..	..
Payments for intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made	3	(57,517)	(84,741)	(32,400)
Net cash provided by/ (used in) investing activities		(57,312)	(84,741)	(32,400)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings		..	..	..
Equity injections	4	67,312	94,741	32,400
Outflows:				
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	5	(10,000)	(10,000)	..
Net cash provided by/ (used in) financing activities		57,312	84,741	32,400
Net increase/ (decrease) in cash held		..	..	..
Administered cash at beginning of financial year		1,368	9,034	9,034
Cash transfers from restructure		..	..	..
Administered cash at end of financial year		1,368	9,034	9,034

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Queensland Government entities adopted Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 1 July 2005. These Standards replace existing Australian Accounting Standards, with the exception of AAS 29 Financial Reporting by Government Departments and AAS 31 Financial Reporting by Government.

With the introduction of AEIFRS, several Accounting Policy Guidelines (APGs) were amended to bring them into line with the new standards, and several additional policies were introduced to take effect on transition to AEIFRS. In particular, new asset recognition thresholds (contained in the Non-Current Asset Policies for the Queensland Public Sector), were introduced in the 2005-06 financial year and are effective from 1 July 2005. The 2005-06 Adjusted Budget column in the financial statements does not reflect new asset recognition thresholds (consistent with the figures reported in the 2005-06 MPS), whilst the 2005-06 Est. Actual and 2006-07 Estimate columns do reflect new asset recognition threshold changes. Detailed notes are provided where these variances are significant.

Machinery of Government changes are reflected (if relevant) in recast estimates.

Income Statement

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. The variance primarily reflects the carryover of funding from 2004-05 into 2005-06 as a result of timing of projects and payment milestones under Grants schemes.
3. Reflects the increase in Grants from the Estates Construction Fund (Commercialised Business Unit) for loan redemption associated with Burnett Water Pty Ltd and contributions applied to industry development projects.
5. Variances for Grants and subsidies is due to later than expected milestone payments.
7. The Loss is primarily due to revaluation of Burnett Water Pty Ltd to market value prior to the sale.
8. The Operating deficit is due to revaluation of Burnett Water Pty Ltd to market value prior to the sale.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. The decrease primarily reflects the deferral of funding to outyears for Grants and subsidies to meet project milestones and future commitments.
2. The decrease in User Charges is due to funding estimates for Export Awards not being finalised for 2006-07 until the end of 2005-06.
3. Reflects increase in Grants from the Estates Construction Fund (Commercialised Business Unit) for contributions applied to industry development projects.
4. Refer to Note 1.
5. Variances for Grants and subsidies reflects funding required to meet milestone payments.
6. The decrease in Finance/borrowing costs in 2006-07 reflects the completion of the Burnett Water Infrastructure Project.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

1. The variation in 2005-06 Estimated Actual includes a one-off amount of \$50 million utilised for the loan redemption associated with Burnett Water Infrastructure Project with the balance being deferral of funding to outyears for Grants and subsidies to meet project milestones and future commitments.
2. The decrease in User Charges is due to funding estimates for Export Awards not being finalised for 2006-07 until the end of 2005-06.
3. Variance in Grants due to one off contribution from the Estates Construction Fund (Commercialised Business Unit) for loan redemption associated with Burnett Water Pty Ltd.
4. Refer to Note 1.
6. The increase in Finance/borrowing costs in 2005-06 was attributed to interest expense on the Burnett Water Infrastructure Project.
7. The Loss is primarily due to revaluation of Burnett Water Pty Ltd to market value prior to the sale.
8. The Operating deficit is due to revaluation of Burnett Water Pty Ltd to market value prior to the sale.

Balance Sheet

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. Variance reflects higher than anticipated opening cash position and additional receipts from the Estates Construction Fund (Commercialised Business Unit) to be applied to industry development projects.
2. Increase reflects additional prepaid expenses.
3. Reduction in Property, plant and equipment is due to finalisation and sale of Burnett Water Pty Ltd to SunWater and the impact of new asset recognition thresholds.
4. Reduction in the current liabilities for Accrued employee benefits is offset by an increase in the non-current liabilities for Accrued employee benefits.
5. Increase in Interest bearing liabilities and derivatives is a realignment from non-current to recognise amounts to be repaid within next 12 months.

6. Increase reflects transfer of revenue from the Estates Construction Fund (Commercialised Business Unit) to be applied to industry development projects.
7. Increase in the non-current liabilities for Accrued employee benefits is offset by reduction in the current liabilities for accrued employee benefits.
8. Reduction in Interest-bearing liabilities and derivatives reflects loan redemption associated with the Burnett Water Infrastructure Project.
9. Variance reflects a one-off equity injection associated with Burnett Water Infrastructure Project.
10. Variance is a result of the revaluation of Burnett Water Pty Ltd to market value prior to sale.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. Variance reflects higher than anticipated 2005-06 opening cash position and cash available to meet payables due at end of financial year.
2. Increase reflects additional prepaid expenses.
3. Reduction in Property, plant and equipment is due to the finalisation and sale of Burnett Water Pty Ltd to SunWater and the impact of new asset thresholds partially offset by the commencement of the Ecosciences Precinct Project.
4. Reduction in the current liabilities for Accrued employee benefits is offset by increase in the non-current liabilities for Accrued employee benefits.
5. Increase in Interest bearing liabilities and derivatives is a realignment from non-current to recognise amounts to be repaid within the next 12 months.
6. Increase reflects transfer of revenue from Estates Construction Fund (Commercialised Business Unit) to be applied to industry development projects.
7. Increase in the non-current liabilities for Accrued employee benefits is offset by reduction in the current liabilities for accrued employee benefits.
8. Reduction in Interest-bearing liabilities and derivatives reflects loan redemption associated with Burnett Water Infrastructure Project.
9. Variance reflects equity injection associated with Burnett Water Infrastructure Project and Ecosciences Precinct Project.
10. Variance is a result of the revaluation of Burnett Water Pty Ltd to market value prior to sale.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

1. The variation in Cash reflects utilisation of cash received for industry development projects from the Estates Construction Fund (Commercialised Business Unit) to be applied to industry development projects.
3. The increase in Property, plant and equipment is attributed to the commencement of the Ecosciences Precinct Project.
6. Refer to note 1.

Cash Flow Statement

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. The variance primarily reflects the carryover of funding from 2004-05 into 2005-06 as a result of timing of projects and payment milestones under Grants schemes.
2. Reflects the increase in Grants from the Estates Construction Fund (Commercialised Business Unit) for loan redemption associated with Burnett Water Pty Ltd and contributions applied to industry development projects.
3. The decrease for Grants and subsidies is due to later than expected milestone payments.
5. The variation reflects the sales proceeds from SunWater for Burnett Water Pty Ltd.
6. The variation reflects the deferral of funding from 2004-05 to 2005-06.
8. Variance reflects a one-off equity injection associated with Burnett Water Infrastructure Project.
9. The increase is attributed to the redemption in the loan associated with the Burnett Water Infrastructure Project.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. The decrease primarily reflects the deferral of funding to outyears for Grants and subsidies to meet project milestones and future commitments.
2. Reflects increased Grants from the Estates Construction Fund (Commercialised Business Unit) applied to industry development projects.
3. The decrease for Grants and subsidies is due to later than expected milestone payments.
4. The decrease in Borrowing costs in 2006-07 reflects the completion of the Burnett Water Infrastructure Project.
6. The variation reflects the ceasing of a major capital project and the commencement of the Ecoscience Precinct Project.
7. The variation reflects the finalisation of borrowings associated with the Burnett Water Infrastructure Project.
8. Increase is attributed to funds for Ecosciences Precinct Project.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

1. The variation in 2005-06 Estimated Actual includes a one-off amount of \$50 million utilised for the loan redemption associated with Burnett Water Infrastructure Project with the balance being deferral of funding to outyears for Grants and subsidies to meet project milestones and future commitments.
3. The decrease reflects the timing of payments for projects.
4. The decrease in Borrowing costs in 2006-07 reflects the completion of the Burnett Water Infrastructure Project.
5. The variation reflects the sales proceeds from SunWater for the Burnett Water Infrastructure Project.
6. The variation reflects the ceasing of a major capital project and the commencement of the Ecoscience Precinct Project.
7. The variation reflects the finalisation of borrowings associated with the Burnett Water Infrastructure Project.
8. Variance reflects a one off equity injection in 2005-06 associated with Burnett Water Infrastructure Project.
9. The decrease is attributed to the redemption of the loan associated with the Burnett Water Infrastructure Project.

Income Statement

Expenses and Revenues Administered on Behalf of the Whole of Government

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. The decrease reflects a change in dividend payment method by the Estates Construction Fund directly to the Consolidated Fund and not via the department.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. The decrease reflects a change in dividend payment method by the Estates Construction Fund directly to the Consolidated Fund and not via the department.

Balance Sheet

Assets and Liabilities Administered on Behalf of the Whole of Government

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. The increase in cash represents increased operational requirements to meet outstanding payables.
2. Represents a deferral of funds from 2004-05 for the Brain Institute.
3. Decrease is a result of recategorisation of Brain Institute funding as receivables.
4. The variation represents deferral of funds from 2004-05 to 2005-06.
5. The variance represents anticipated accrued payments at balance date.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. The increase in Cash represents increased operational requirements to meet outstanding payables.
2. Represents payments made under the Smart State Research Facilities Fund.
3. Decrease is a result of recategorisation of Brain Institute funding to receivables.
5. The variance represents anticipated accrued payments at balance date.
6. Refer to note 2.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

2. Represents payments made under the Smart State Research Facilities Fund.
6. Refer to note 2.

Cash Flow Statement

Cash Flows Administered on Behalf of the Whole of Government

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

1. The decrease reflects a change in dividend payment method by the Estates Construction Fund directly to the Consolidated Fund and not via the department.
2. Refer to note 1.
3. The variation reflects withholding of Loans and advances payment in 2004-05 for the Smart State Research Facilities Fund and the Brain Institute due to delayed payment milestones under agreements, deferred to 2005-06.
4. Refer to note 3.

Major variations between 2005-06 Adjusted Budget and 2006-07 Estimate include:

1. The decrease reflects a change in dividend payment method by the Estates Construction Fund directly to the Consolidated Fund and not via the department.
2. Refer to note 1.
3. The variation is attributed to a reduction in Loans and Advances for the Smart State Research Facilities Fund in 2006-07.
4. Refer to note 3.
5. The reduction is attributed to a one-off Equity withdrawal associated with the Smart State Research Facilities Fund.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

3. The variation is attributed to a reduction in Loans and advances for the Smart State Research Facilities Fund in 2006-07.
4. Refer to note 3.
5. The variation is attributed to a reduction in Equity injection associated with the payment milestones for the Smart State Research Facilities Fund.

RECONCILIATION OF 2006-07 APPROPRIATION AMOUNTS TO THE FINANCIAL STATEMENTS

CONTROLLED

Income Statement

	\$'000
Output Revenue in Income Statement ¹	222,571
Add: Appropriation Funding for Outputs Receivable ^a	..
= Appropriation for Departmental Outputs	222,571
= Output Receipts in Cash Flow Statement ²	222,571

Balance Sheet

	\$'000
Closing balance Contributed Equity ³	161,257
Less: Opening Balance Contributed Equity ³	138,803
= Change in Contributed Equity in the Balance Sheet	22,454
Add: Appropriation Equity Injection Receivable ^b	..
Less: Non-appropriated Equity Adjustments ⁴	..
= Appropriation for Equity Adjustment ⁵	22,454
= Net Appropriated Equity Adjustment in Cash Flow Statement	22,454

1. This Output Revenue amount reconciles to the Output Revenue line in the Income Statement on page 3-29.
 2. This Output Revenue amount reconciles to the Output Receipts line in the Cash Flow Statement on page 3-31.
 3. The Contributed Equity amounts reconcile to the Contributed Equity line in the Balance Sheet on page 3-30.
 4. Non-appropriated equity adjustments relate to Machinery of Government changes, long service leave liabilities transferred to the whole-of-Government scheme.
 5. The Appropriation for Equity Adjustment amount reconciles to the Equity Adjustment line in the Appropriations table on page 3-8.
- a. This line item relates to operating revenue recognised in one year for which the cash is not received until the subsequent year.
 - b. This line item relates to equity recognised in one year for which the cash is not received until the subsequent year.

ADMINISTERED

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

	\$'000
Administered Item Revenue in Income Statement ⁶	1,915
Add: Other (Administered) Appropriation Receivable ^a	..
= Appropriation for Administered Expenses ⁷	1,915

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

	\$'000
Closing balance Contributed Equity ⁸	188,476
Less: Opening Balance Contributed Equity ⁸	156,076
= Change in Contributed Equity in the Statement of Assets and Liabilities administered on behalf of the State Government	32,400
Add: Appropriation Equity Injection Receivable ^b	..
Less: Non-appropriated Equity Adjustment ⁹	..
= Appropriation for Administered Equity Adjustment ⁷	32,400

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 3-32.
7. Total Appropriation for Administered items (\$34,315) = Appropriation for Administered expenses (\$1,915) + Appropriation for Administered Equity Adjustment (\$32,400).
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 3-33.
9. Non-appropriated equity adjustments relate to Machinery of Government changes, long service leave liabilities transferred to the whole-of-Government scheme.

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 3-8).

- a. This line item relates to operating revenue recognised in one year for which the cash is not received until the subsequent year.
- b. This line item relates to equity recognised in one year for which the cash is not received until the subsequent year.

Corporate Services¹ Allocation 2006-07 Estimate (\$'000)

	Notes	Total Corporate Services	Business and Market Development Services and Innovation	International Trade Development
Income				
Output revenue		16,555	13,972	2,583
User charges		335	283	52
Grants and other contributions		..	..	..
Other revenue		..	..	..
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		16,890	14,255	2,635
Expenses	2			
Employee expenses		9,258	7,814	1,444
Supplies and services		7,188	6,067	1,121
Grants and subsidies		..	..	..
Depreciation and amortisation		261	220	41
Finance/borrowing costs		..	..	..
Other expenses		183	154	29
Losses on sale/revaluation of property, plant and equipment and investments		..	..	..
Total expenses		16,890	14,255	2,635
Full Time Equivalents		104	88	16
Notes: 1. Corporate services functions include: finance and administration, procurement, human resources, staff training, information technology, records management, legal services, corporate communications, internal audit, property acquisition and management, executive services (Office of the Director-General), and Ministerial and Cabinet liaison. 2. Includes payments to the Department of the Premier and Cabinet for the provision of research services, information services and minor Management Information Unit support and payments to Corporate Solutions Queensland and Corp Tech for the provision of corporate services. 3. In the 2005-06 DSDI MPS Corporate Services allocation excluded the Corporate Services functions of legal services, corporate communications, internal audit, property acquisition and management, executive services (Office of the Director-General), and Ministerial and Cabinet liaison.				



Queensland
Government

MINISTERIAL PORTFOLIO STATEMENT

2006-07 STATE BUDGET

DEPUTY PREMIER, TREASURER
AND MINISTER FOR STATE DEVELOPMENT,
TRADE AND INNOVATION

PROPERTY SERVICES GROUP

Hon. Anna Bligh MP
Deputy Premier, Treasurer
and Minister for State Development,
Trade and Innovation

Ross Rolfe
Coordinator-General
Director-General

This Ministerial Portfolio Statement (MPS) includes performance and financial information for Property Services Group, a commercialised business unit within The Coordinator-General which reports to the Deputy Premier, Treasurer and Minister for State Development, Trade and Innovation. Information relating to the commercialised business unit also appears in the MPS for the Premier of Queensland.

COMMERCIALISED BUSINESS UNIT

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 Coordinator-General and the Department of State Development, Trade and Innovation.

Record high levels of demand for industrial land evident in 2003-04 and 2004-05 continued into 2005-06. This, together with the high levels of activity in the residential property market, placed significant pressure on the availability of land for future development, and on the turn around of development applications. In 2005-06, the Property Services Group was successful in purchasing development sites at Aldoga, within the Gladstone State Development Area and Ebenezer in Ipswich City.

REVIEW OF PERFORMANCE

Recent Achievements

- Ensured continued availability of serviced industrial land throughout Queensland.
- Sold 58 industrial sites valued at \$45.8 million throughout Queensland. The industries located on these sites generated an estimated 800 jobs and created an estimated \$130 million in capital investment.
- Acquired 148 hectares of land in Ipswich City to be developed as the Ebenezer Industrial Estate.
- Completed major infrastructure and wetlands for the 28 lot Lytton Industrial Estate development.
- Commenced construction of roadworks and service infrastructure for the 18 lot Bensted Street subdivision within the Clinton Industrial Estate, Gladstone.
- Called tenders for the construction of Stage 1 of the Caloundra Regional Business and Industry Park.
- Called tenders for the construction of roadworks and service reticulation for the 24 lot Arundel Industrial Park, Gold Coast.
- Called tenders for the construction of subdivisional works for the 20 lot Charlton North Industrial Estate.
- Completed the development application process and awaiting the development decisions for industrial subdivisions at Yandina and Coolum.

- Lodged the development application for the next stage of the South Mackay Industrial Estate.

Future Developments

- Forty-eight industrial sites valued at \$76.9 million are to be sold throughout Queensland generating an estimated 600 jobs and creating an estimated \$100 million in capital investment.
- Acquire strategic parcels of land for future industrial development.
- Complete the construction of roadworks and service infrastructure for the 18 lot Bensted Street subdivision within the Clinton Industrial Estate, Gladstone.
- Complete the construction of roadworks and service reticulation for the 24 lot Arundel Industrial Park, Gold Coast.
- Complete the construction of roadworks and service reticulation for the 5 lot Nandroya Industrial Estate.
- Manage the construction of Stage 1 of the Caloundra Regional Business and Industry Park, Yandina Industrial Estate, Coolum Industrial Estate and the Charlton North Industrial Estate.

PERFORMANCE STATEMENT

CBU: Property Services Group				
Measures	Notes	2005-06 Target/Est.	2005-06 Est. Actual	2006-07 Target/Est.
Financial Performance Measures				
Cost				
Value of land sale settlements	1	\$46 million	\$45.8 million	\$76.9 million
Non-Financial Performance Measures				
Quantity				
Number of new land lots developed and buildings constructed	2	41	28	63
Area of land maintained (hectares)		6,006	5,716	6,009
Number of land leases administered	3	200	190	170
Number of land properties acquired		3	2	4
Number of industry specific forums and information seminars conducted	4	24	20	Discontinued
Number of firms/organisations assisted through industry development activities	4	79	86	Discontinued
Number of significant economic development projects and analyses completed	4	15	12	Discontinued
Quality				
Estimated number of jobs generated through successful land sale applications	5	500	800	600
Estimated value of capital investment created through successful land sale applications	5	\$75 million	\$130 million	\$100 million
Estimated number of jobs generated and/or retained from industry development activities	4	40	40	Discontinued
Estimated value of exports generated from industry development activities	4	\$1 million	\$1 million	Discontinued
Location				
% of total number of land sales in regional Queensland	6	50%	45%	69%
<p>Notes:</p> <ol style="list-style-type: none"> The increase between the 2005-06 Estimated Actual and the 2006-07 Target relates to the expected demand for new releases of land within Charlton North, Lytton and South Mackay Industrial Estates, Arundel Industrial Park and Woree Business and Industry Park. The decrease between the 2005-06 Target and 2005-06 Estimated Actual reflects the delays met in gaining development approvals for the 24 lot Arundel and 12 lot Yandina Industrial Estates subdivisions which is partially offset by 23 additional lots brought forward at the Lytton Industrial Estate as construction is ahead of schedule. Target for 2006-07 is increased to reflect new completion dates for the Arundel and Yandina developments. The decrease between the 2005-06 Target and the 2006-07 Target reflects the continuing trend by lessees to convert operating leases to free holding tenures. Due to Machinery of Government changes these measures will no longer contribute to this output. Outcomes will be reported through the Business and Market Development Services and Innovation Output statement of the Department of State Development Trade and Innovation. The increase between the 2005-06 Target and 2005-06 Estimated Actual reflects the additional jobs and capital investment generated through increased land sale settlements. The increase between the 2005-06 Target and the 2006-07 Target relates to the anticipated demand for new releases of land within Charlton North and South Mackay Industrial Estates, Arundel Industrial Park and Woree Business and Industry Park. 				

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 \$115.1 million in 2006-07.

Industrial Estate Development

Development approvals are in place and construction of the following projects is planned for 2006-07:

- \$4.625 million to commence construction of the Arundel Industrial Park;
- \$27.0 million to continue construction of a larger scale development at Caloundra Regional Business and Industry Park;
- \$8.0 million for construction of the Charlton North Industrial Estate; and
- \$5.5 million to continue construction of the Clinton Industrial Estate.

Construction of the following projects is expected to proceed in 2006-07 once development approvals are obtained:

- \$20.2 million to continue construction of the Coolum Industrial Estate; and
- \$7.4 million to commence construction of the South Mackay Industrial Estate.

Land Acquisition

The following land acquisitions are planned for 2006-07, subject to negotiations:

- \$5.0 million for the acquisition of land for the Edmonton Industrial Estate;
- \$6.0 million for the acquisition of land for the future development of industrial estates in the Mackay region; and
- \$15.0 million within South East Queensland for the future development of industrial estates.

CAPITAL ACQUISITION STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
<u>PROPERTY PLANT AND EQUIPMENT</u>				
Property Plant and Equipment		..	..	..
Other acquisitions of property, plant and equipment		158	158	38
TOTAL PROPERTY PLANT AND EQUIPMENT		158	158	38
<u>OTHER CAPITAL ACQUISITIONS</u>				
Other Capital Acquisitions				
Industrial Estate Development				
- Amberley Aerospace Park		250	50	500
- Arundel Industrial Park	1	3,435	150	4,625
- Bohle Industrial Estate		..	..	250
- Bribie Island Aquaculture Park	2	300	..	..
- Caloundra Regional Business and Industry Park	1, 7	10,000	3,140	27,000
- Charlton North Industrial Estate	1	4,200	500	8,000
- Clinton Industrial Estate – Bensted Street	1	5,000	3,500	5,500
- Coolum Industrial Estate	1, 8	5,000	2,800	20,200
- Lytton Industrial Estate		14,500	15,972	3,500
- Mount Isa Industrial Estate	2	100	..	..
- Nandroya Industrial Estate		..	800	4,200
- South Mackay Industrial Estate	1	2,000	600	7,400
- Woree Business and Industry Park	3	..	883	..
- Yandina Industrial Estate	1	2,500	1,000	4,916
- Minor Works		500	500	500
Land Purchases				
- Amberley Aerospace Park		..	..	2,000
- Edmonton Industrial Estate		..	..	5,000
- Gladstone State Development Area	4	..	2,699	..
- Mackay Region Industrial Land		..	..	6,000
- Mount Isa Strategic Land	2	250	..	..
- South East Queensland Strategic Land	5	3,750	2,500	15,000
- Townsville State Development Area (Stuart)	6	2,000	..	..
- Minor Land Acquisitions		500	..	500
TOTAL OTHER CAPITAL ACQUISITIONS		54,285	35,094	115,091
TOTAL CAPITAL ACQUISITIONS		54,443	35,252	115,129

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
<u>FUNDING SOURCES OF ACQUISITIONS</u>				
Equity Adjustment	
Funding for depreciation and amortisation	
Borrowings	
Proceeds of asset sales		54,443	35,252	115,129
Other	
TOTAL FUNDING SOURCES		54,443	35,252	115,129
Notes: 1. Due to timing of development applications, expenditure on this project has been deferred from 2005-06 to 2006-07. 2. This project has been cancelled. 3. Due to timing, expenditure on this project was deferred from 2004-05 to 2005-06. 4. Acquisition of site to service industries locating in the Gladstone State Development Area. 5. Negotiations for planned purchases were unsuccessful; other sites are under investigation. 6. This acquisition will be made by The Coordinator-General, not by Property Services Group. 7. The scale of this development has been increased to release additional serviced land. 8. Additional expenditure has been included in the program because of the high cost of earthworks required.				

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Income				
User charges	1	51,465	51,004	83,798
Grants and other contributions	2	..	918	..
Other revenue	3	5,804	7,905	5,008
Gains on sale/revaluation of property, plant and equipment and investments		..	..	..
Total income		57,269	59,827	88,806
Expenses				
Employee expenses	4	2,829	2,951	1,540
Supplies and services	5	21,147	18,057	32,778
Grants and subsidies	6	13,248	36,370	13,194
Depreciation and amortisation		358	318	328
Finance/borrowing costs		..	..	586
Other expenses		5,828	5,804	5,984
Losses on sale/revaluation of property, plant and equipment and investments		1,000	1,500	1,000
Total expenses		44,410	65,000	55,410
Surplus or deficit before related income tax		12,859	(5,173)	33,396
Income tax expense/revenue	7	3,858	(1,552)	10,019
OPERATING SURPLUS/DEFICIT after related income tax		9,001	(3,621)	23,377

STATEMENT OF CHANGES IN EQUITY

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
Net effect of the adoption of a new accounting standard		..	(38)	..
Increase/ (decrease) in asset revaluation reserve		3,528	4,041	3,509
Net amount of all revenue and expense adjustments direct to equity not disclosed above	
Net income recognised directly in equity		3,528	4,003	3,509
Surplus/ (deficit) for the period		9,001	(3,621)	23,377
Total recognised income and expense for the period		12,529	382	26,886
Equity injection/ (withdrawal)		(3,000)	(7,100)	(10,500)
Equity adjustment (MoG transfer)		107	107	..
Dividends provided or paid	
Total movement in equity for period		9,636	(6,611)	16,386

BALANCE SHEET

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CURRENT ASSETS				
Cash assets	8	81,397	105,040	52,205
Receivables	9	18,989	8,622	16,250
Other financial assets		..	..	..
Inventories	10	23,800	174,552	258,528
Other		..	..	..
Non-financial assets held for sale		..	..	..
Total current assets		124,186	288,214	326,983
NON-CURRENT ASSETS				
Receivables	11	45,408	33,721	43,638
Other financial assets		..	..	..
Inventories	10	162,716	..	..
Property, plant and equipment	12	129,170	160,864	148,583
Deferred tax assets	13	..	2,766	1,214
Intangibles		..	..	..
Other		7	4	4
Total non-current assets		337,301	197,355	193,439
TOTAL ASSETS		461,487	485,569	520,422
CURRENT LIABILITIES				
Payables	14	2,628	1,073	1,073
Interest-bearing liabilities and derivatives		..	..	..
Current tax liabilities	15	3,858	..	8,467
Accrued Employee Benefits		137	183	183
Provisions		..	..	..
Other		3,436	2,894	2,894
Total current liabilities		10,059	4,150	12,617
NON-CURRENT LIABILITIES				
Payables		..	..	..
Interest-bearing liabilities and derivatives	16	..	..	10,000
Deferred tax liabilities		..	..	..
Accrued Employee Benefits		159	159	159
Provisions		..	..	..
Other		..	..	..
Total non-current liabilities		159	159	10,159
TOTAL LIABILITIES		10,218	4,309	22,776
NET ASSETS (LIABILITIES)		451,269	481,260	497,646
EQUITY				
Capital/Contributed equity	17	369,730	365,631	355,131
Retained surplus/Accumulated (deficit)	18	21,043	10,154	33,531
Reserves:				
- Asset revaluation reserve	19	60,496	105,475	108,984
- Other (specify)		..	..	..
TOTAL EQUITY		451,269	481,260	497,646

CASH FLOW STATEMENT

	Notes	2005-06 Adjusted Budget \$'000	2005-06 Est. Act. \$'000	2006-07 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges	20	51,465	51,004	83,798
Grants and other contributions	21	..	918	..
Other	22	5,805	7,906	5,008
Outflows:				
Employee costs	23	(2,829)	(2,951)	(1,540)
Supplies and services	24	(56,472)	(37,318)	(116,794)
Grants and subsidies	25	(13,248)	(36,370)	(13,194)
Borrowing costs		..	..	(586)
Tax equivalents paid	26	(7,454)	(8,446)	(5,900)
Other		(38)	(44)	(44)
Net cash provided by/ (used in) operating activities		(22,771)	(25,301)	(49,252)
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment	27	9,500	17,600	14,500
Investments redeemed		..	..	..
Loans and advances redeemed	28	2,061	3,889	3,083
Outflows:				
Payments for property, plant and equipment		(147)	(158)	(38)
Payments for intangibles		..	..	..
Payments for investments		..	..	..
Loans and advances made	29	(8,569)	(600)	(20,628)
Net cash provided by/ (used in) investing activities		2,845	20,731	(3,083)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Borrowings	30	..	..	10,000
Equity injections		..	..	..
Outflows:				
Dividends paid		..	..	..
Borrowing redemptions		..	..	..
Finance lease payments		..	..	..
Equity withdrawals	31	(3,000)	(7,100)	(10,500)
Net cash provided by/ (used in) financing activities		(3,000)	(7,100)	(500)
Net increase/ (decrease) in cash held		(22,926)	(11,670)	(52,835)
Cash at the beginning of financial year		104,382	116,710	105,040
Cash transfers from restructure		(59)	..	..
Cash at the end of financial year		81,397	105,040	52,205

EXPLANATION OF VARIANCES IN THE FINANCIAL STATEMENTS

Income Statement

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

2. An increase in Grants and contributions revenue due to the transfer in of land to be developed as the Nandroya Industrial Estate.
3. An increase in Other revenue due to interest receipts on higher than expected cash balance.
5. A decrease in Supplies and services expenses due to lower than expected cost of goods sold; the land sold during 2005-06 was purchased prior to the recent increase in property prices and this lower cost is reflected in the cost of goods sold for the year.
6. An increase in Grants and subsidies expenses due to additional proposed Industry Support payments, including a grant to the Department of State Development, Trade and Innovation for loan redemption associated with the Burnett Water Infrastructure Project.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

1. An increase in User charges revenue due to an expected higher level of market demand for Property Services Group controlled land.
3. A decrease in Other revenue due to lower interest receipts arising from a reduced cash balance.
4. A decrease in Employee expenses due to the transferring of staff from Property Services Group to other departments for a full year, rather than pro-rata from the dates of changes in departmental arrangements.
5. An increase in Supplies and service expenses due to a higher cost of goods sold, in line with the expected increase in sales of land.
6. A decrease in Grants and subsidies expenses due to Industry Support projects completed in 2005-06 including a grant to the Department of State Development, Trade and Innovation for loan redemption associated with the Burnett Water Infrastructure Project.
7. An increase in Income tax expense/revenue due to income tax equivalents being incurred on the Business Unit's surplus.

Balance Sheet

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

8. An increase in Cash assets due to lower than expected capital works, resulting from delays in receiving development approvals.
9. A decrease in Current Receivables due to a lower than expected requirement for an advance of funding for acquisitions by The Coordinator-General to extend the Gladstone State Development Area.
10. As a result of changes to accounting standards, all Inventories are now classified as current.
11. A decrease in Non-Current Receivables due to fewer sales of non-inventory land being financed by leases.
12. An increase in Property, plant and equipment due to a major revaluation of leasehold land, following substantial increases in the market value of land throughout Queensland.
13. An increase in Deferred tax assets due to the commencement of tax-effect accounting by the Business Unit.
14. A decrease in Current Payables due to a reduction in the estimated value of accrued expenses.
17. A decrease in Contributed equity due to special equity withdrawals to fund land acquisitions for environmental purposes.
18. A decrease in Retained surplus/Accumulated (deficit) due to the generation of an operating deficit during 2005-06.
19. An increase in the Asset revaluation reserve due to a major revaluation of the Business Unit's non-inventory land. Refer to Note 12 above.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

8. A decrease in Cash assets due to planned expenditure on capital works and Industry Support projects, including expenditure deferred from 2005-06. The expenditure on capital works is required to ensure the future supply of developed land for industry.
9. An increase in Current Receivables primarily due to the planned advance of funds to The Coordinator-General for acquisitions to extend the Gladstone State Development Area.
10. An increase in Current Inventories due to planned expenditure on capital works, to ensure the future supply of developed land for industry.
11. An increase in Non-Current Receivables due to the provision of a long-term loan as part of a proposed Industry Support project.
12. A decrease in Property, plant and equipment due to expected sales of non-inventory land controlled by the Property Services Group, as non-inventory leasehold land controlled by the business unit is converted to freehold by lessees.
15. An increase in Current tax liabilities which reflects the estimated liability for income tax equivalents payable on the Business Unit's surplus.
16. An increase in Interest-bearing liabilities and derivatives due to the planned raising of a loan from Queensland Treasury Corporation to finance a loan to be provided as part of a proposed Industry Support project, thus protecting the liquidity of the Business Unit.
17. A decrease in Capital/Contributed equity due to a proposed equity withdrawal to fund acquisitions for the Townsville State Development Area.
18. An increase in Retained Surplus due to the expected surplus to be earned in 2006-07.
19. An increase in the Asset Revaluation Reserve due to expected revaluations of non-inventory land controlled by the Property Services Group. This reflects estimated increases in land values throughout Queensland during 2006-07.

Cash Flow Statement

Major variations between 2005-06 Adjusted Budget and 2005-06 Estimated Actual include:

21. An increase in inflows from Grants and other contributions due to a transfer of assets from the Department of State Development, Trade and Innovation during 2005-06.
22. An increase in inflows from Other operating activities due to interest receipts on higher than expected cash balance.

24. A decrease in outflows for Supplies and Services due to lower than expected expenditure on capital works, resulting from delays in receiving development approvals.
25. An increase in outflows from Grants and subsidies due to higher than expected Industry Support payments including a grant to the Department of State Development, Trade and Innovation for loan redemption associated with the Burnett Water Infrastructure Project.
27. An increase in inflows from Sales of property, plant and equipment due to higher than expected estimated sales of non-inventory land, as land subject to operating leases is converted to freehold by the lessees.
28. An increase in inflows from Loans and advances redeemed due to a partial redemption of advances for the funding of acquisitions for the Gladstone State Development Area.
29. A decrease in outflows for Loans and advances made due to fewer sales of non-inventory land being financed by leases.
31. An increase in outflows for Equity withdrawals due to special equity withdrawals to fund land acquisitions for environmental purposes.

Major variations between 2005-06 Estimated Actual and the 2006-07 Estimate include:

20. An increase in inflows from User charges due to expected higher market demand for Property Services Group controlled land.
22. A decrease in inflows from Other operating activities due to lower interest receipts arising from a reduced cash balance.
23. A decrease in outflows for Employee costs due to the transfer of staff costs from Property Services Group to the Department of State Development, Trade and Innovation.
24. An increase in outflows for Supplies and services, primarily due to an increase in planned capital works to ensure the future availability of serviced land for industry.
25. A decrease in outflows for Grants and subsidies, due to the completion of Industry Support projects in 2005-06, including a grant to the Department of State Development, Trade and Innovation for loan redemption associated with the Burnett Water Infrastructure Project.
26. A decrease in outflows for Tax equivalents paid due to income tax benefit being recognised on the Business Unit's deficit in 2005-06.
27. A decrease in inflows from Sales of property, plant and equipment due to a reduction in the expected sales of non-inventory land, as the volume of non-inventory land available for sale is reducing.
29. An increase in outflows for Loans and advances made due to the provision of a long-term loan as part of an Industry Support project, and the advancing of funds to The Coordinator-General for acquisitions of planned additions to the Gladstone State Development Area.
30. An increase in inflows from Borrowings due to the planned raising of a loan from Queensland Treasury Corporation to finance a loan to be provided as part of a proposed Industry Support project, thus protecting the liquidity of the Business Unit.
31. An increase in outflows for Equity Withdrawals due to a proposed equity withdrawal to fund acquisitions for the Townsville State Development Area.

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 budgeting	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, Managing for Outcomes, is a fully integrated planning, budgeting and performance management framework.
departmental 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.
departmental 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.
Investment	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.
Revenue-Source	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.

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State Budget 2006–07
Ministerial Portfolio Statement
**Deputy Premier, Treasurer and
Minister for State Development,
Trade and Innovation**
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