

DEPARTMENT OF TREASURY

Objectives

The Department of Treasury provides strategic financial and economic advice to the Government with the aim of promoting the Territory's financial position and economic management.

The Department plays a leading role in promoting accountability and transparency in the delivery of services to the community. This is achieved through sound financial policies, management practices and robust analysis.

2005-06 Highlights

Strategic and operational priorities to be pursued in 2005-06 include:

- assisting the Government to maintain the Territory's AAA credit rating through sound and sustainable economic and financial management;
- managing the ACT's input into the Commonwealth Grants Commission's *Update of Revenue Sharing Relativities 2006* and the Commission's *2010 Methodology Review*;
- analysing and implementing potential changes required by International Accounting Standards, which are to be adopted from 1 July 2005;
- refining the performance measurement framework to progress towards a Triple Bottom Line accountability framework;
- continuing improvement of the Territory's financial management framework, including the *Financial Management Act 1996* and the Budget Process;
- reviewing the ACT vehicle fleet arrangements to operate from 2006-07;
- refinancing the maturing inscribed stock of \$52m consistent with the debt management strategy;
- implementing arrangements pursuant to the closure of the Public Sector Superannuation (PSS) defined benefits scheme and the commencement of the PSS accumulation scheme;
- implementing the Government's revenue initiatives; and
- undertaking efficiency and effectiveness reviews of departments as part of the Expenditure Review Process.

Output Classes

	Total Cost		Government Payment for Outputs	
	2004-05	2005-06	2004-05	2005-06
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
Output Class 1				
Financial and Economic Management	36 568	52 420	26 336	40 116
Output 1.1 Economic Management	6 093	2 956	6 266	3 041

The decrease in the 2005-06 from the estimated outcome is due to the transfer of Water and Electricity Policy from Treasury to CMD in November 2004.

Output Description

Develop and pursue initiatives to ensure the economic interests of the ACT and its residents are protected and maximised, including through providing advice on economic and regulatory reform and major projects, and ensuring appropriate returns on assets and appropriate intergovernmental financial relations. Economic Management will provide for:

- monitoring and regular advice on the state of the ACT economy;
- an annual submission to the Commonwealth Grants Commission's (CGC) update of general revenue sharing relativities;
- on-going submissions, representations and participation in the CGC's major review of general revenue sharing relativities to apply from 2010-2011 onwards;
- monitoring GST revenues and participation in the GST Administration sub-groups;
- an annual submission to the credit rating agency; and
- a review of vehicle fleet funding arrangements.

	Total Cost		Government Payment for Outputs	
	2004-05	2005-06	2004-05	2005-06
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
Output 1.2 Financial Management	11 233	28 362	7 336	21 517

The increase in the 2005-06 Budget from the estimated outcome is due to the inclusion of the restructuring fund.

Output Description

Provision of analysis, monitoring and reporting on financial performance to assist the Government to achieve its preferred outcomes. Financial Management will provide for:

- the preparation and presentation of the Australian Capital Territory's annual Budget and annual financial statements;
- quarterly Whole of Government consolidated management and capital works reports;
- reporting to external agencies including the Loan Council, the Australian Bureau of Statistics and the Commonwealth Grants Commission;
- Expenditure Review Capacity Reviews; and
- advice on the structure and operation of government business enterprises.

Output Classes cont.

	Total Cost		Government Payment for Outputs	
	2004-05	2005-06	2004-05	2005-06
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
Output 1.3 Revenue Management	11 517	12 013	10 863	11 067

Output Description

Optimise tax revenue concurrent with achieving a simple, equitable and efficient tax system; develop policy; and advise and assist clients to meet their obligations. In 2005-06 it is estimated that Revenue Management will process:

- 150 objections and reviews of decision;
- 1,600 Stamp Duty Homebuyer Concessions;
- 2,000 First Home Owner Grant applications;
- over 500,000 assessments, reminder notices and reconciliations; and
- applications and data quality checks.

	Total Cost		Government Payment for Outputs	
	2004-05	2005-06	2004-05	2005-06
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
Output 1.4 Procurement Support Services	7 725	9 089	1 871	4 491

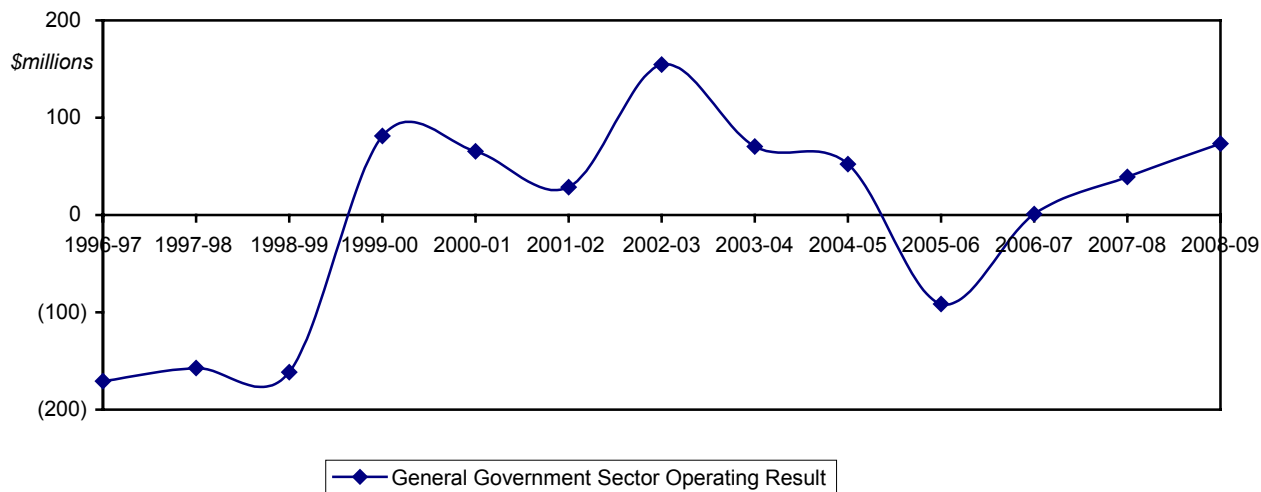
Output Description

Includes procurement policy; buyers and sellers information services (basis), including on-line procurement services; business opportunities, supplier notification of tenders and contracts, support to ACT Government purchasing officers; and the implementation of construction industry reforms, including pre-qualification of suppliers and the provision of risk management services to ACT Government agencies. Procurement Solutions will provide for:

- whole of government procurement support services;
- the buyers and sellers information service (basis);
- contracts register;
- e-Tendering;
- supplier pre-qualification arrangements;
- notifying 2,000 business opportunities to local suppliers; and
- commencement of 400 client requested projects.

Strategic Indicators

Strategic Indicator 1 A Balanced General Government Sector Budget



Part of the Government's Budget Strategy is for a balanced budget over the budget and forward estimate period. While there will inevitably be surpluses and deficits in individual budget years, the balanced budget approach reflects the Government's belief that there should not be sustained periods of deficit and government borrowing, and that surpluses should be returned to the community as services and infrastructure.

Strategic Indicator 2 Maintaining a AAA credit rating

Standard and Poor's assess the Territory's credit rating each year. The Territory currently has the highest possible credit rating - a AAA credit rating.

The Department of Treasury assists the Government to maintain this credit rating.

Strategic Indicators cont.

Strategic Indicator 3 Total General Government Sector Borrowings (Debt)

	2004-05 Est Outcome \$m	2005-06 Budget \$m	2006-07 Estimate \$m	2007-08 Estimate \$m	2008-09 Estimate \$m
GGS Sector Borrowings	701	681	668	652	637

The ACT has a small, in relative terms, amount of debt on issue. Much of this relates to low interest rate loans provided to the ACT by the Commonwealth under housing assistance agreements and other programs. To retire this debt would represent a poor financial decision by the Territory, as surplus cash can be invested at a higher rate than is currently charged on these debt instruments.

Treasury also maintains an amount of debt in the capital market to maintain a liquid market for ACT bonds. This has the effect of, if required, providing a greater borrowing capacity for the ACT. A stable and low level of debt is desirable.

Strategic Indicator 4 Net interest cost as a proportion of total own-source revenue for the General Government Sector

	2004-05 Est Outcome \$m	2005-06 Budget \$m	2006-07 Estimate \$m	2007-08 Estimate \$m	2008-09 Estimate \$m
Interest Expense	47	49	49	52	54
Interest Revenue	78	69	58	54	55
Net Interest Cost	- 31	- 20	- 8	- 2	- 2
Own Source Revenue	1 617	1 568	1 669	1 763	1 857
Net Interest Cost as a % of Own Source Revenue	-1.9%	-1.3%	-0.5%	-0.1%	-0.1%

Net interest is the difference between interest earned on investments and interest paid on debt. Total own-source revenue is the difference between total revenue and Commonwealth Grants on the operating statement.

This provides an indication of the Government's ability to meet its debt obligations. The projections for this indicator remain negative over the forward estimates, indicating the Territory can comfortably meet interest expenses.

Accountability Indicators

	2004-05 Targets	2004-05 Est. Outcome	2005-06 Target
1.1 Economic Management			
a. Briefings on ACT Economy	148	148	120
b. Submission to Commonwealth Grants Commission Annual Update	1	1	1
c. Submissions to the Commonwealth Grants Commission Major Review	n/a	n/a	3
d. Submission to credit rating agency	1	1	1
1.2 Financial Management			
a. Budget	1	1	1
b. Annual Financial reports	1	1	1
c. Quarterly Reports	4	4	4
d. Expenditure Capacity Reviews	4	4	3
1.3 Revenue Management			
a. Debt Management — level of outstanding debt as a percentage of Treasury tax revenue.	2%	2%	2%
b. Compliance revenue per inspector.	\$280 000	\$381 993	\$300 000
1.4 Procurement Support Services			
a. Proportion of Government funded annual Capital Works program supported with project procurement services	60%	62%	60%
b. Quality Management Systems Compliance with ISO9001:2000 –number of category 1 non-conformance findings	<2	<2	<2

Budgeted Financial Results

Section 31 of the *Financial Management Act 1996* (FMA) advises that Chief Executives are responsible for achievement of financial results. For the purpose of Section 31 of the FMA, key budgeted results are specified in the Budget papers to improve accountability. An outcome of the increased accountability will be the requirement for Chief Executives to explain material variances from specified budget results.

In accordance with Section 31 of the FMA, following are the key budgeted results for the Department:

Departmental

- ***Operating Result (\$6.758m deficit)*** – this measure focuses on the financial performance of the Department, and will measure the Department’s success in managing expenditure levels within government funding and other revenue limitations. The deficit is due to the anticipated expenditure for whole-of-government restructuring and non-cash expense of depreciation; and
- ***Current Ratio (1.3:1)*** – the current ratio is an indication of the ability to fund short term liabilities from short term assets. The Department has sufficient funds to cover its short term liabilities in the next financial year.

Territorial

- ***Taxes, fees and fines (\$685.174m)*** – this measures the Department’s performance in relation to the collection of taxes, fees and fines revenue for the Territory;
- ***Debt collection ratio (0.1:1)*** – this indicates the proportion of taxes, fees and fines that were earned, but uncollected.

Changes to Appropriation

Changes to Appropriation - Departmental

	2004-05	2005-06	2006-07	2007-08	2008-09
Government Payment for Outputs	Est. Outc.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2004-05 Budget	29 610	30 377	31 134	31 632	31 632
2nd Appropriation					
Wage Negotiations	409	459	553	560	561
2005-06 Budget Policy Adjustments					
New Restructure Fund	0	12 300	6 000	0	0
Improved Revenue Office service and tax compliance measures	0	390	361	395	411
General Savings	0	-1 321	-1 321	-1 321	-1 321
2005-06 Budget Technical Adjustments					
Communication Contract Savings	0	-54	-81	-81	-81
Increased Expense in Agency Fees	0	40	40	40	40
Revised Indexation Parameters	0	0	0	0	516
Rollover – Budget and Finance System Funding	-300	300	0	0	0
Rollover - Social Plan Evaluation Framework	-200	200	0	0	0
Rollover - Sustainable Infrastructure Capital Funding	0	2 500	0	0	0
Transfer of Energy and Water to Chief Minister's Department	-634	-993	-1 009	-1 025	-1 041
Transfer of Gambling and Racing to Department of Economic Development	-2 549	-4 082	-4 177	-4 246	-4 300
2005-06 Budget	26 336	40 116	31 500	25 954	26 417

Changes to Appropriation - Territorial

	2004-05	2005-06	2006-07	2007-08	2008-09
Payment for Expenses on Behalf of Territory	Est. Outc.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2004-05 Budget	42 408	45 182	45 875	44 783	44 783
2nd Appropriation					
Red Cross Tsunami Appeal	500	0	0	0	0
Wage Negotiations - Exhibition Park in Canberra	3	3	4	4	4
2005-06 Budget Technical Adjustments					
Transfer of Gambling and Racing to Department of Economic Development	-3 251	-7 029	-7 231	-7 439	-7 439
Revised Indexation Parameters	0	0	0	0	7
2005-06 Budget	39 660	38 156	38 648	37 348	37 355

Changes to Appropriation - Departmental

	2004-05	2005-06	2006-07	2007-08	2008-09
Capital Injections	Est. Outc.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2004-05 Budget	14 000	0	0	0	0
2005-06 Budget Policy Adjustments					
Capital Injection - ACT Insurance Authority	0	23 000	0	0	0
Capital Injection - Rhodium Asset Solutions	0	1 500	0	0	0
2005-06 Budget Technical Adjustments					
Rollover - Sustainable Infrastructure Capital Funding	-2 500	0	0	0	0
2005-06 Budget	11 500	24 500	0	0	0

Changes to Appropriation - Territorial

	2004-05	2005-06	2006-07	2007-08	2008-09
Capital Injections	Est. Outc.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2004-05 Budget	695	0	0	0	0
2005-06 Budget Policy Adjustments					
Capital Injection - EPIC	0	450	450	450	450
2005-06 Budget	695	450	450	450	450

2004-05 Capital Works Program

Departmental

	Estimated Total Cost \$'000	Estimated Expenditure Pre 2005-06 \$'000	2005-06 Financing \$'000	2006-07 Financing \$'000	2007-08 Financing \$'000	Expected Completion Date
New Capital Works						
Sustainable Infrastructure ¹	4 000	1 500	2 500	-	-	June 2006
Total Works in Progress	4 000	1 500	2 500	-	-	
Total Departmental Capital Works	4 000	1 500	2 500	-	-	

¹ The project was initially treated as capital, however, the treatment has been changed to correctly reflect these payments as operating expenses in 2004-05 and 2005-06 with project values of \$1.5m and \$2.5m respectively each year. Matching GPO of \$2.5m, rather than capital injection, has been recognised in 2005-06.

Commonwealth Grants

The major payments for which the Department has responsibility are:

Name of Grant	Activities Funded by Grant	2005-06 Estimate \$'000
Assistance for Water and Sewerage	Assistance in meeting the additional cost for water and sewerage arising from Canberra's role as the National Capital	9 250
Financial Assistance Grants for Local Government	Financial assistance in relation to the operation of local governing bodies.	33 942
ACT National Capital Influences	Compensation for the effect of National Capital influence on the costs of providing municipal services.	23 004
National Competition Payments	Funding arrangement between the Commonwealth and the ACT in relation to implementation of the national competition policy and related reforms.	12 600
GST Revenue Grants	GST revenue passed on to the ACT by the Commonwealth under A New Tax System arrangements	721 400
Total		800 196

Department of Treasury Operating Statement

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
Income							
Revenue							
29 610	Government Payment for Outputs	26 336	40 116	52	31 500	25 954	26 417
56	User Charges - Non ACT Government	56	56	-	56	56	56
4 242	User Charges - ACT Government	4 242	4 284	1	4 327	4 350	4 350
816	Interest	1 000	706	-29	761	816	816
500	Resources Received free of charge	500	500	-	500	500	500
35 224	Total Revenue	32 134	45 662	42	37 144	31 676	32 139
Gains							
0	Total Gains	0	0	-	0	0	0
35 224	Total Income	32 134	45 662	42	37 144	31 676	32 139
Expenses							
21 658	Employee Expenses	17 425	33 188	90	22 364	16 603	16 797
2 343	Superannuation Expenses	2 197	2 223	1	2 288	2 292	2 320
11 229	Supplies and Services	10 869	11 795	9	11 159	11 438	11 684
2 855	Depreciation and Amortisation	2 855	2 302	-19	1 094	324	217
4 200	Grants and Purchased Services	3 222	2 912	-10	426	435	430
102	Other Expenses	0	0	-	0	0	0
42 387	Total Ordinary Expenses	36 568	52 420	43	37 331	31 092	31 448
-7 163	Operating Result	-4 434	-6 758	-52	-187	584	691

Department of Treasury Balance Sheet

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
Current Assets							
2 001	Cash	2 257	1 406	-38	1 286	1 286	1 286
1 634	Receivables	2 519	2 519	-	2 519	2 519	2 519
20 829	Investments	29 997	25 624	-15	26 530	27 541	28 552
0	Other	773	773	-	773	773	773
24 464	Total Current Assets	35 546	30 322	-15	31 108	32 119	33 130
Non Current Assets							
387	Property, Plant and Equipment	547	407	-26	267	160	160
3 061	Intangibles	3 036	874	-71	720	674	457
4 000	Capital Works in Progress	0	851	#	171	0	0
7 448	Total Non Current Assets	3 583	2 132	-40	1 158	834	617
31 912	TOTAL ASSETS	39 129	32 454	-17	32 266	32 953	33 747
Current Liabilities							
1 756	Payables	10 443	10 410	-	10 369	10 398	10 427
2 170	Employee Benefits	2 305	2 392	4	2 422	2 473	2 525
13 899	Other	10 482	10 482	-	10 482	10 482	10 482
17 825	Total Current Liabilities	23 230	23 284	-	23 273	23 353	23 434
Non Current Liabilities							
2 273	Employee Benefits	2 207	2 236	1	2 246	2 269	2 291
2 273	Total Non Current Liabilities	2 207	2 236	1	2 246	2 269	2 291
20 098	TOTAL LIABILITIES	25 437	25 520	-	25 519	25 622	25 725
11 814	NET ASSETS	13 692	6 934	-49	6 747	7 331	8 022
REPRESENTED BY FUNDS EMPLOYED							
11 814	Accumulated Funds	13 692	6 934	-49	6 747	7 331	8 022
11 814	TOTAL FUNDS EMPLOYED	13 692	6 934	-49	6 747	7 331	8 022

**Department of Treasury
Cash Flow Statement**

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
29 610	Cash from Government for Outputs	26 336	40 116	52	31 500	25 954	26 417
86 545	User Charges	86 545	87 583	1	88 632	88 756	88 756
816	Interest Received	1 000	706	-29	761	816	816
18 089	Other Revenue	18 089	18 293	1	18 498	18 498	18 498
135 060	Operating Receipts	131 970	146 698	11	139 391	134 024	134 487
	Payments						
23 936	Related to Employees	19 602	35 295	80	24 612	18 821	19 043
10 712	Related to Supplies and Services	10 352	11 224	8	10 599	10 909	11 155
4 200	Grants and Purchased Services	3 222	2 912	-10	426	435	430
100 543	Other	100 441	101 640	1	102 848	102 848	102 848
139 391	Operating Payments	133 617	151 071	13	138 485	133 013	133 476
-4 331	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	-1 647	-4 373	166	906	1 011	1 011
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Payments						
4 000	Purchase of Property, Plant and Equipment	0	0	-	0	0	0
0	Purchase of Land and Intangibles	0	851	#	120	0	0
10 000	Capital Payments to Government Agencies	10 000	24 500	145	0	0	0
14 000	Investing Payments	10 000	25 351	154	120	0	0
-14 000	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-10 000	-25 351	-154	-120	0	0
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
14 000	Capital Injection from Government	11 500	24 500	113	0	0	0
14 000	Financing Receipts	11 500	24 500	113	0	0	0
14 000	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	11 500	24 500	113	0	0	0
-4 331	NET INCREASE/(DECREASE) IN CASH HELD	-147	-5 224	#	786	1 011	1 011
27 161	CASH AT BEGINNING OF REPORTING PERIOD	32 401	32 254	..	27 030	27 816	28 827
22 830	CASH AT THE END OF THE REPORTING PERIOD	32 254	27 030	-16	27 816	28 827	29 838

**Department of Treasury
Statement of Changes in Equity**

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
14 977	Opening Balance	16 457	13 692	-17	6 934	6 747	7 331
	Accumulated Funds						
-7 163	Operating Result for the Period	-4 434	-6 758	-52	-187	584	691
	Reserves						
-7 163	Total Income And Expense For The Period	-4 434	-6 758	-52	-187	584	691
	Transactions Involving Equity Holders Affecting Accumulated Funds						
4 000	Capital Injections	1 500	0	-100	0	0	0
0	Inc/Dec in Net Assets due to Admin Restructure	169	0	-100	0	0	0
11 814	Closing Balance	13 692	6 934	-49	6 747	7 331	8 022

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- government payment for outputs:
 - the decrease of \$3.274m in the 2004-05 estimated outcome from the original budget is mainly due to the transfers of Energy and Water (\$0.634m), and Gambling and Racing (\$2.549m) as a result of 4 November 2004 Administrative Arrangement Order (AAO), rollovers of the Budget and Financial system funding (\$0.3m) and the Social Plan Evaluation Framework (\$0.2m) to 2005-06. These are partly offset by wages increases of \$0.409m;
 - the increase of \$13.780m in the 2005-06 Budget from the 2004-05 estimated outcome is mainly due to the Restructuring Fund of \$12.3m, initiative funding for a Tax Compliance/Online Revenue System of \$0.390m and the rollover and subsequent transfer of capital injection to GPO for the Sustainable Infrastructure project of \$2.5m. These are partially offset by general savings (\$1.321m) which will be achieved by making administrative savings and by reducing the breadth and detail of economic and financial policy advice;
- user charges – ACT Government: the increase in the 2005-06 Budget from the 2004-05 estimated outcome represents indexation of charges;
- interest: the increase of \$0.184m in the 2004-05 estimated outcome from the original budget is mainly due to additional interest earned from the higher levels of cash holdings relating to the unspent Restructuring Fund as at 30 June 2005. The decrease of \$0.294m in 2005-06 Budget from the 2004-05 estimated outcome is a result of a decrease in cash

holdings during 2005-06 as the cash holdings for the Restructuring Fund are fully expended.

- employee expenses:
 - the decrease of \$4.233m in the 2004-05 estimated outcome from the original budget is mainly due to rollover of unspent funds from the Restructuring Fund (\$3m) to 2005-06, internal savings of employee costs (\$0.873m), the transfers of Energy and Water (\$0.425m), and Gambling and Racing (\$0.051m) as a result of the AAO's, partly offset by wage increases;
 - the increase of \$15.763m in 2005-06 Budget from the 2004-05 estimated outcome is mainly due to wage increases of \$0.625m, the Restructuring Fund of \$12.3m and its rollover from 2004-05 of \$3m, partly offset by general savings in salary \$0.281m;
- superannuation expenses: the decrease of \$0.146m in 2004-05 estimated outcome from the original budget is mainly due to associated cost saving (\$0.167m) in superannuation expenses as a result of internal cost savings from a number of business units within the department;
- supplies and services:
 - the decrease of \$0.360m in the 2004-05 estimated outcome from the original budget is mainly due to rollovers of the Budget and Financial system funding (\$0.3m) and Social Plan Evaluation Framework Initiative (\$0.2m) to 2005-06 respectively;
 - the increase of \$0.926m from the 2004-05 estimated outcome to the 2005-06 Budget is mainly due to rollovers of \$0.5m from 2004-05 and additional funding for a Tax Compliance/Online Revenue System of \$0.212m;
- depreciation: the decrease of \$0.553m in the 2005-06 Budget from 2004-05 estimated outcome represents reduction in depreciation of Budget and Financial system as it will become fully depreciated during 2005-06;
- grants and purchased services: the decreases of \$0.978m in the 2004-05 estimated outcome from the original budget, and \$0.310m in 2005-06 Budget from the 2004-05 estimated outcome, are primarily due to the cessation of service purchase payments for Gambling and Racing as a result of the AAO's, partly offset by capital grant expenditure related to the Sustainable Infrastructure project which was initially recognised as an asset; and
- other expenses: the decrease of \$0.102m in the 2004-05 estimated outcome from the original budget is primarily due to the transfer of Energy and Water from the Department as a result of the AAO's transfer.

Balance Sheet

- cash and current investments: the increase of \$9.424m in the 2004-05 estimated outcome from the original budget and the decrease of \$5.224m in the 2005-06 Budget from the 2004-05 estimated outcome are mainly due to cash movements from the Restructuring Fund and contract payments for capital works received by Procurement Solutions;
- property, plant and equipment:
 - the increase of \$0.160m in the 2004-05 estimated outcome from the original budget is primarily related to additional leasehold improvements;

- the decrease of \$0.140m in 2005-06 Budget from the 2004-05 estimated outcome represents depreciation expenses of the leasehold improvements for 2005-06;
- intangibles: the decrease of \$2.162m in 2005-06 Budget from the 2004-05 estimated outcome represents the amortisation of the Budget and Financial, and Territory revenue systems;
- capital works in progress:
 - the decrease of \$4m in the 2004-05 estimated outcome from the original budget is related to Sustainable Infrastructure project, which was initially recognised as an asset but is now reflected as a capital grant expense in 2004-05 and 2005-06 respectively.
 - the increase of \$0.851m in 2005-06 Budget from the 2004-05 estimated outcome is mainly related to self funded works in progress to upgrade the Department's Rating and Tax Compliance/Online Revenue Systems totalling \$0.850m;
- current payables: the increase of \$8.687m in the 2004-05 estimated outcome from the original budget is mainly due to revised estimates of payable levels for Procurement Solutions;
- current employee entitlements: the increase of \$0.135m in the 2004-05 estimated outcome from the original budget is mainly due to the impact of wage increases on the provision for annual leave; and
- other current liabilities: the decrease of \$3.417m in the 2004-05 estimated outcome from the original budget is mainly due to revised estimates of project revenue paid in advance by agencies to Procurement Solutions for work yet to be done.

Statement of Changes in Equity

- increase/decrease in net assets from administrative restructuring: the increase in 2004-05 estimated outcome from the original budget is primarily due to the transfer of Energy and Water from the Department, and Gambling and Racing to the Department of Economic Development as a result of the AAO transfers; and
- capital injection: the decrease of \$2.5m in 2004-05 estimated outcome from the original budget and \$1.5m in the 2005-06 Budget from the 2004-05 estimated outcome is primarily due to the rollover of funding for the Sustainable Infrastructure project (\$2.5m) to 2005-06. This was initially treated as capital funding but is now to be recognised as an operating expense with matching GPO in 2005-06.

Department of Treasury
Statement of Income and Expenses on Behalf of the Territory

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
Income							
Revenue							
42 408	Payment for Expenses on behalf of Territory	39 660	38 156	-4	38 648	37 348	37 355
653 915	Taxes Fees and Fines	650 485	685 174	5	734 400	783 993	837 139
748 359	Grants from the Commonwealth	775 162	800 196	3	821 991	859 978	901 253
118	Interest	29	0	-100	0	0	0
174 725	Dividend Revenue	170 638	182 648	7	176 414	203 162	195 329
6 763	Other Revenue	2 935	230	-92	230	230	230
1 626 288	Total Revenue	1 638 909	1 706 404	4	1 771 683	1 884 711	1 971 306
Gains							
0	Total Gains	0	0	-	0	0	0
1 626 288	Total Income	1 638 909	1 706 404	4	1 771 683	1 884 711	1 971 306
Expenses							
9 300	Supplies and Services	9 300	9 600	3	9 800	9 800	9 800
34 325	Grants and Purchased Services	30 290	28 363	-6	28 674	27 381	27 596
4 806	Other Expenses	5 306	5 307	..	4 822	4 838	4 855
1 577 857	Transfer Expenses	1 594 013	1 663 134	4	1 728 387	1 842 692	1 929 055
1 626 288	Total Ordinary Expenses	1 638 909	1 706 404	4	1 771 683	1 884 711	1 971 306
0	Operating Result	0	0	-	0	0	0

Department of Treasury
Statement of Assets and Liabilities on Behalf of the Territory

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
Current Assets							
1 474	Cash	3 226	3 273	1	3 332	3 350	3 350
67 599	Receivables	82 731	76 109	-8	78 513	80 060	80 842
351	Investments	0	0	-	0	0	0
69 424	Total Current Assets	85 957	79 382	-8	81 845	83 410	84 192
Non Current Assets							
2 000	Investments	2 000	2 000	-	2 000	2 000	2 000
2 000	Total Non Current Assets	2 000	2 000	-	2 000	2 000	2 000
71 424	TOTAL ASSETS	87 957	81 382	-7	83 845	85 410	86 192
Current Liabilities							
56 513	Payables	79 476	72 955	-8	75 418	77 112	78 023
12 911	Other	7 824	7 770	-1	7 770	7 641	7 512
69 424	Total Current Liabilities	87 300	80 725	-8	83 188	84 753	85 535
69 424	TOTAL LIABILITIES	87 300	80 725	-8	83 188	84 753	85 535
2 000	NET ASSETS	657	657	-	657	657	657
REPRESENTED BY FUNDS EMPLOYED							
2 000	Accumulated Funds	657	657	-	657	657	657
2 000	TOTAL FUNDS EMPLOYED	657	657	-	657	657	657

Department of Treasury
Budgeted Statement of Cashflows on Behalf of the Territory

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
42 104	Cash from Government for EBT	39 353	37 843	-4	38 327	37 020	37 020
304	Cash from Government - CSO Payments	307	313	2	321	328	335
653 917	Taxes, Fees and Fines	649 989	684 666	5	734 381	783 860	836 989
118	Interest Received	29	0	-100	0	0	0
748 359	Grants Received from the Commonwealth	776 819	800 396	3	821 991	859 978	901 253
6 896	Other Revenue	3 265	590	-82	590	590	590
1 451 698	Operating Receipts	1 469 762	1 523 808	4	1 595 610	1 681 776	1 776 187
Payments							
9 300	Related to Supplies and Services	9 300	9 600	3	9 800	9 800	9 800
34 325	Grants and Purchased Services	30 290	28 363	-6	28 674	27 381	27 596
353	Other	1 496	580	-61	580	580	580
1 564 679	Territory Receipts to Government	1 582 486	1 674 226	6	1 730 513	1 845 603	1 932 749
1 608 657	Operating Payments	1 623 572	1 712 769	5	1 769 567	1 883 364	1 970 725
-156 959	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	-153 810	-188 961	-23	-173 957	-201 588	-194 538
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
155 640	Dividends	152 743	189 008	24	174 016	201 606	194 538
155 640	Investing Receipts	152 743	189 008	24	174 016	201 606	194 538
Payments							
695	Capital Payments to Government Agencies	695	450	-35	450	450	450
695	Investing Payments	695	450	-35	450	450	450
154 945	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	152 048	188 558	24	173 566	201 156	194 088
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
695	Capital Injection from Government	695	450	-35	450	450	450

Department of Treasury
Budgeted Statement of Cashflows on Behalf of the Territory

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
695	Financing Receipts	695	450	-35	450	450	450
	Payments						
0	Payments of Transferred Cash Balances	1 343	0	100	0	0	0
0	Financing Payments	1 343	0	100	0	0	0
695	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	-648	450	169	450	450	450
-1 319	NET INCREASE/(DECREASE) IN CASH HELD	-2 410	47	102	59	18	0
3 144	CASH AT BEGINNING OF REPORTING PERIOD	5 636	3 226	-43	3 273	3 332	3 350
1 825	CASH AT THE END OF THE REPORTING PERIOD	3 226	3 273	1	3 332	3 350	3 350

Department of Treasury
Statement of Changes in Equity on Behalf of the Territory

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
2 000	Opening Balance	2 000	657	-67	657	657	657
	Accumulated Funds						
0	Operating Result for the Period	0	0	-	0	0	0
	Reserves						
0	Inc/Dec in Net Assets due to Admin Restructure	-1 343	0	-100	0	0	0
2 000	Closing Balance	657	657	0	657	657	657

Notes to the Budget Statements

The Department of Treasury's territorial financial statements include taxes, fees and fines collected on behalf of the Territory. A detailed explanation of the movement in taxes, fees and fines for 2005-06 is provided in *Budget Paper 3, Part 5.2 – Revenue 2005-06 and Forward Estimates*. An explanation of the movement from the original 2004-05 budget to the estimated outcome is detailed in *Budget Paper 3, Part 3 – 2005-06 Estimated Outcome*.

Significant variations are as follows:

Statement of Income and Expenses on Behalf of the Territory

- payment for expenses on behalf of the Territory: the decrease (\$2.748m) in the 2004-05 estimated outcome from the original budget is mainly due to the transfer of the Racing and Development Fund (\$3.251m) to the Department of Economic Development as a result of 4 November 2004 AAO's, partly offset by funding of \$0.5m for the Tsunami Appeal Contribution. The decrease (\$1.504m) in the 2005-06 Budget from the 2004-05 estimated outcome is mainly due to the full-year effect (\$3.778m) of the Administrative Arrangement Order, partly offset by the increase in funding for the First Home Owners Grants Scheme (\$2.1m);
- taxes, fees and fines: the decrease (\$3.430m) in the 2004-05 estimated outcome from the original budget reflects decreased revenue from conveyancing (\$16.143), offset by greater than expected payroll tax (\$7.740m), duty on transfers of unlisted shares (\$3.220m), general rates (\$1.607m) and income tax equivalents (\$1.580m). The conveyancing decrease reflects the drop in volume of property transactions despite the employment and business health of the ACT economy. The increase (\$34.689m) in the 2005-06 Budget from the 2004-05 estimated outcome reflects increased conveyancing revenue (\$11.529m) and an increase of rates revenue (\$18.113m) and payroll tax (\$16.284m), partially offset by the abolition of debit tax (\$14.832m);
- grants from the Commonwealth: the increase (\$26.803m) in the 2004-05 estimated outcome from the original budget is due to an increase in GST Revenue grants (\$24.4m), Natural Disaster Relief Arrangements (\$1.149m) and competition payments (\$1.2m). The increase (\$25.034m) in the 2005-06 Budget from the 2004-05 estimated outcome is

mainly due to an increase in GST Revenue grants (\$39.4m), partly offset by a decrease in Special Revenue Assistance (\$14.2m);

- dividends: the decrease (\$4.087m) in the 2004-05 estimated outcome from the original is mainly due to decreased dividends from ACTEW (\$5.985m) and the Department of Urban Services (\$0.505m), partly offset by an increased dividend from ACTTAB of \$2.431m. The increase (\$12.010m) in the 2005-06 Budget from the 2004-05 estimated outcome is mainly due to an increased Land Development Agency dividend (\$44.690m), partly offset by decreased dividends from ACTEW (\$32.080m) and ACTTAB (\$0.769m);
- grants and purchased services: the decrease (\$4.035m) in the 2004-05 estimated outcome from the original budget is due to the transfer of the Racing Development Fund (\$4.538m) to the Department of Economic Development as a result of the AAO, partly offset by the one-off payment for Tsunami Appeal Contribution (\$0.5m). The decrease of \$1.927m in the 2005-06 Budget from the 2004-05 estimated outcome is mainly due to the non-recurrence of 2004-05 Tsunami Appeal contribution of \$0.5m and cessation of the Racing and Development Fund payments of \$3.732m as a result of the AAO, partly offset by increased First Home Owners Grants payments (\$2.1m) and ACTEW service purchase payments (\$0.199m); and
- transfer expenses: the increase (\$16.156m) in the 2004-05 estimated outcome from the original budget and the increase (\$69.121m) in the 2005-06 Budget from the 2004-05 estimated outcome relates to the transfer of revenues to the Central Financing Unit (CFU).

Statement of Assets and Liabilities on Behalf of the Territory

- cash and current investments: the increase (\$1.401m) in the 2004-05 estimated outcome from the original budget is mainly due to timing of creditor payments relating to the First Home Owners Grant Scheme and the ACTEW services purchase payment;
- current receivables: the increase (\$15.132m) in the 2004-05 estimated outcome from the original budget and the decrease (\$6.622m) in the 2005-06 Budget from the 2004-05 estimated outcome is mainly due to revised estimate for dividend and tax accruals;
- current payables: the increase (\$22.963m) in the 2004-05 estimated outcome from the original budget and the increase (\$6.521m) in the 2005-06 Budget from the 2004-05 estimated outcome mainly relates to the accrued transfer of revenues to the Central Financing Unit; and
- other current liabilities: the decrease (\$5.087m) in the 2004-05 estimated outcome from the original budget is mainly due to a decrease in the provision for refund of taxes.

Statement of Changes in Equity

- increase/decrease in net assets from administrative restructuring: the decrease in 2004-05 estimated outcome from the original budget is mainly due to the transfer of the Racing Development Fund to the Department of Economic Development as a result of the AAO.