Objectives and principal activities of the Department of Infrastructure and Planning

The objective of the Department of Infrastructure and Planning (the Department) is to take a lead role in major project delivery and infrastructure planning and coordination across Government, supporting the goals of *Smart Queensland: Smart State Strategy 2005-2015* and the *South East Queensland Infrastructure Plan and Program 2008-2026.*

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

1. Summary of significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and other pronouncements of the Australian Accounting Standards Board, the Treasurer's Minimum Reporting Requirements and, in particular, AAS 29 *Financial Reporting by Government Departments.*

The financial report has been prepared on an accruals basis and except where stated, the historical cost convention is used. Accounting policies adopted for the reporting period are consistent with those of the previous reporting period.

(b) The reporting entity

The consolidated financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Department of Infrastructure and Planning, including its controlled entities. Details of the Department of Infrastructure and Planning's controlled entities are disclosed in Note 35. The Water Infrastructure Project Board, Building and Development Tribunals and the Plumbers and Drainers Board are included within parent entity and therefore do not prepare financial statements.

The Department of Infrastructure and Planning as an economic entity consists of the parent entity together with Property Services Group, Queensland Water Infrastructure Pty Ltd, Southern Regional Water Pipeline Company Pty Ltd, Western Corridor Recycled Water Pty Ltd, City North Infrastructure Pty Ltd and South East Queensland (Gold Coast) Desalination Company Pty Ltd as controlled entities. In order to provide enhanced disclosure, the Department has adopted the principles outlined in Australian Accounting Standard AASB 127 *Consolidated and Separate Financial Statements.* This approach is considered appropriate as it reflects the relationship between the Department of Infrastructure and Planning's core business activities and those of its controlled entities. In the process of reporting on the Department of Infrastructure and Planning as a single economic entity, all transactions and balances internal to the Department of Infrastructure and Planning have been eliminated in full. The consolidation process occurred for the period 1 July 2007 to 30 June 2008.

The **Property Services Group** (PSG) operates as a commercialised business unit of the Department. It delivers a range of services under the *Industrial Development Act 1963*. The activities of the Property Services Group, through the Estates Construction Fund, provides funding for both property-related and industry development functions aimed at encouraging the location and expansion of business and industry in Queensland.

Queensland Water Infrastructure Pty Ltd (QWI) was created pursuant to section 44 of the *Financial Administration and Audit Act 1997* and the *Corporations Act 2001* on 28 June 2006 to carry out and complete the design, construction, completion and commissioning of the Traveston Crossing Dam, the Wyaralong Dam, Bromelton Offstream Storage and Cedar Grove Weir. During the period the principal activities of the company were commencing feasibility work on determining the most economically viable and environmentally sustainable sites for the construction projects and commencing preliminary design of the projects, concurrent with the feasibility work. QWI is funded through a Queensland Treasury Corporation debt facility. The Department of Infrastructure and Planning maintains control through 100% ownership with shareholder representation through the Department of Tourism, Regional Development and Industry.

(b) The reporting entity (continued)

Southern Regional Water Pipeline Company Pty Ltd (trading as LinkWater Projects (SRWP)) was established on 16 January 2006. LinkWater Projects was formed as a strategic alliance to improve the regional water supply distribution network in South East Queensland. LinkWater Projects is planning, designing and constructing the Southern Regional Water Pipeline (SRWP), the Northern Pipeline Interconnector (NPI), the Eastern Pipeline Interconnector (EPI), the Toowoomba Pipeline and also has an owners interest in the Network Integration Pipeline (NIP). The Department of Infrastructure and Planning purchased all shares in the company on 28 June 2007. Department of Infrastructure and Planning maintains control through 100% ownership.

Western Corridor Recycled Water Pty Ltd (WCRW) was established on 2 March 2007, pursuant to section 44 of the *Financial Administration and Audit Act 1997* and the *Corporations Act 2001*. The strategic position of the WCRW within the Government's South East Queensland Water Supply Strategy arises from its potential ability to reclaim saleable water from current waste water in the shortest possible timeframes, and thereby offset the pressure on existing water supplies and increase the overall availability of, and reliability of, water supply in South East Queensland. WCRW is responsible for carrying out the detailed design work, managing the necessary impact, and obtaining all approvals necessary to construct and operate the Western Corridor Recycled Water Scheme. The Department of Infrastructure and Planning maintains control through 100% ownership. WCRW is considered a "for-profit" entity in accordance with Australian Accounting Standards.

City North Infrastructure Pty Ltd (CNI) was formed pursuant to section 44 of the *Financial Administration and Audit Act 1997* and the *Corporations Act 2001* and commenced operations on 22 December 2006. CNI is jointly owned by the Department of Infrastructure and Planning (25%), Queensland Treasury Holdings Pty Ltd (25%), Department of Transport (25%) and Department of Main Roads (25%), with the share holdings representing the major project and transport nature of the project. The principal activities are to oversee the procurement of the AirportLink and Northern Busway in Brisbane (Windsor-Kedron) projects on behalf of the State of Queensland. Based on the CNI constitution, Shareholders' Agreement and other relevant documentation it has been determined that CNI is a controlled entity of Department of Infrastructure and Planning in terms of paragraph 13 of AASB 127 *Consolidated and Separate Financial Statements*.

South East Queensland (Gold Coast) Desalination Company Pty Ltd (trading as Sure Smart Water (SSW)) is funded by way of 40% equity funding and 60% QTC debt funding. The purpose of SSW is construction of a desalination plant at Tugan on the Gold Coast with a capacity to desalinate up to 125ML seawater into drinking water per day. The facility will be a vital element in the SEQ Water Grid, Gold Coast City Council's Waterfutures Strategy and the State Government's South East Queensland Regional Drought Strategy Contingency Supply Plan. On 13 June 2008 the Department of Infrastructure and Planning purchased all shares held by the Gold Coast City Council and now retains 100% ownership in SSW. The Department and SSW have entered into a agreement allowing SSW to procure the design, construction and commissioning of pipeline from Tugan to Worongary for the State of Queensland. The Department has disposed of its rights and obligations under the Pipeline Construction Agreement to SRWP.

All controlled entities produce separate general purpose financial reports in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and the *Corporations Act 2001* for the Special Purpose Vehicle companies and AAS 29 *Financial Reporting by Government Departments* for Property Services Group.

(c) Administered transactions and balances

The Department administers, but does not control, certain resources on behalf of the Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the Department's objectives.

Administered transactions and balances are reported as discrete AAS29 *Financial Reporting by Government Departments* statements, within the financial statements as they are material in amount in relation to the controlled financial statements.

(d) Output revenue/administered revenue

Appropriations provided under the *Annual Appropriation Act* are recognised as revenue in the year in which the Department obtains control over them. The appropriation receivable reflected in the financial statements as at 30 June 2008 has been approved by Queensland Treasury and recognised as revenue.

Amounts appropriated to the Department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations. Refer to note 2.

(e) Sales revenue

Sales revenue arising from the sale of goods and services is recognised as revenue when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

The entities controlled by the Department offset proceeds from the sale of recycled water against the cost of construction prior to substantial completion of assets. Substantial completion is defined in the Project Alliance Agreements and is the stage of construction when various conditions are met including when minimum output has been achieved.

Pipeline construction contract revenue is recognised on the basis detailed in the terms of the Pipeline Construction Agreement.

(f) User charges and penalties

User charges, fees and penalties controlled by the Department are recognised as revenues when invoices for the related services are issued. User charges, fees and penalties are controlled by the Department where they can be deployed for the achievement of departmental objectives.

Fees collected, but not controlled, by the Department are reported as administered revenue.

(g) Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Department obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

(h) Cash and cash equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash in hand, cash at bank and cash equivalents include all cash and cheques receipted but not banked at 30 June 2008 as well as deposits at call with financial institutions. It also includes investments with short periods to maturity that are readily convertible to cash on hand at the Department's or issuer's option and that are subject to a low risk of changes in value.

(i) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 14-30 days from the invoice date.

Loans and advances are recognised at the face value of principle outstanding and finance leases are recognised at the value of the net investment of the lease agreement outstanding (note 1(r)). Terms are as recorded in individual loan and lease agreements. On full repayment of finance leases, title for the relevant property is transferred to the purchaser.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June 2008. Increases in the provision for impairment are based on loss events as disclosed in the financial instruments in note 36.

Other debtors generally arise from transactions outside the usual operating activities of the Department and are recognised at their assessed values. Terms are set based on the operations of the particular entities, no interest is charged and no security is obtained.

(j) Inventories

Land is purchased for the purpose of resale and is recognised at the lower of cost and net realisable value. Cost includes the cost of acquisition and development of the land to its existing condition, ready for sale. These costs are assigned to subdivided land lots on a weighted average basis when the lots are sold.

Net realisable value is determined on the basis of the Department's normal selling pattern.

Expenses associated with marketing, selling, and distribution are deducted to determine net realisable value.

Construction contracts in progress value (pipeline construction) is based on the direct project costs incurred by the controlled entities plus a work fee as provided by the Pipeline Construction Agreement. The work fee is calculated to cover off-site overheads, corporate overheads and profit as set out in the relevant schedules of the Agreement.

(k) Non-current assets classified as held for sale

Non-current assets held for sale consist of those assets which management has determined are available for immediate sale in their present condition, and their sale is highly probable within the next twelve months. These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. The assets are not depreciated.

(l) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from a Queensland Government department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from a Queensland Government department, are recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment.*

(m) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings	$10,000
Land	$1
Plant and equipment	$5,000
Software	$100,000

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken are included with buildings or capital work in progress.

Capital works in progress is measured at cost. All direct and, where reliably attributable, indirect costs relating to constructed infrastructure are recorded as work in progress.