

INDIGENOUS LAND CORPORATION

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INDIGENOUS LAND CORPORATION

Section 1: Agency overview

The Indigenous Land Corporation (ILC) is now established by Part 4A of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act 2005). Its purpose is to assist Aboriginal persons and Torres Strait Islanders to acquire and to manage Indigenous held land so as to provide economic, environmental, social and cultural benefits.

Although the purpose of the ILC is to provide economic, environmental, cultural or social benefits in the performance of its functions, priority must be given to social and cultural benefits.

Until 2003-04 the ILC received an annual allocation from the Aboriginal and Torres Strait Islander Land Fund (Land Fund) according to a formula specified in Section 193A of the *Aboriginal and Torres Strait Islander Commission Act 1989*. From 2004-05 onwards, it receives the realised real return from the Land Fund (under Section 193C of the ATSI Act 2005). Under its legislation the ILC has the flexibility to invest funds and to roll over funds not expended in previous years.

The ILC's National Indigenous Land Strategy (NILS) sets out how the ILC will assist Indigenous Australians to achieve outcomes under the four categories of benefit (economic, environmental, social and cultural) through its land management and land acquisition programs.

A four-stream land acquisition program and five land management strategic initiatives were introduced in December 2002 to more directly provide cultural, social, environmental and economic benefits. These policies and procedures have been well received, resulting in an increase in the number of applications and a more effective means for Indigenous people to address urban land issues.

The land acquisition and management programs require applicants to define a specific purpose and set themselves achievable milestones and outcomes. The program guidelines step the applicant through the application and assessment process by providing a structured approach. The ILC assesses all applications thoroughly and does not support those that are not sustainable and viable in the long term, or those that are inconsistent with the ILC's published program guidelines. The ILC also monitors active projects to ensure they are sustainable and that real benefits are achieved.

As a result of the ATSI Act 2005 significant assets have transferred from ATSIC to the ILC. These assets include fifteen properties and the balance of the Regional Land Fund.

Table 1.1: Agency outcomes and output groups

Outcome	Output groups
Outcome 1	Output Group 1.1
Provide economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base.	Assistance in the acquisition and management of land.

Section 2: Agency resources for 2005-06

2.1: APPROPRIATIONS AND OTHER RESOURCES

The total appropriation for the ILC in the 2005-06 Budget is nil. The ILC is not directly funded via Budget appropriation, but receives the realised real return from the Aboriginal Torres Strait Islander Land Fund (Land Fund) and other receipts from independent sources.

Table 2.1: Appropriations and other revenue 2005-06¹ ('000)

Outcome	Appropriations			Revenue from other sources ⁵		Total resources ⁷
	\$'000 Bill No. 1	\$'000 Bill No. 2 ²	\$'000 Special approp ³	\$'000 Total approp ⁴	% ⁶	
Outcome 1: Provide economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base.						
Administered	-	-	-	-	0%	-
Departmental	-	-	-	92,643	100%	92,643
Total outcome 1	-	-	-	92,643		92,643
Departmental capital (equity injections)	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-
Total resources	-	-	-	92,643		92,643

1 This table has been redesigned to correspond with Budget Paper No. 4 'Agency Resourcing'. It now includes (where appropriate) administered revenue from other sources.

2 Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPPs), New Agency Outcomes (NAOs), administered capital and departmental capital via departmental injections and loans.

3 Estimated expenses from individual Special Appropriations are shown at Section 3, Tables 3.1, etc.

4 Total appropriations = Bill No. 1 + Bill No. 2 + Special Appropriations.

5 Revenue from other sources includes FMA s.31 revenues, CAC body revenues that are available to be expensed, special accounts (non-appropriation revenues) and resources received free of charge.

6 Percentage figures indicate the percentage contribution of revenue from government (departmental appropriations) to the total price of outputs, by outcome, and the percentage contribution of revenue from other sources (departmental) to the total price of outputs, by outcome.

7 Total resources = total appropriations + revenue from other sources.

Note: Refer to Budgeted statement of financial performance for application of agency revenue.

2.2: 2005-06 BUDGET MEASURES

The ILC has no measures disclosed in the 2005-06 Budget. For this reason, table 2.2 is not presented.

2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Table 2.3 provides details of other receipts available to be used and include CAC body receipts that are available to be spent, special accounts (non-appropriation receipts) and resources received free of charge.

Table 2.3: Other receipts available to be used

	Estimated receipts 2004-05 \$'000	Budget estimate 2005-06 \$'000
Departmental other receipts		
Revenue from Land Fund	63,105	75,689
Realisation of investments	-	13,780
Sale of inventory	2,601	2,640
Other property income	883	600
Interest	376	651
Other	312	149
Total departmental other receipts available to be used	67,277	93,509

The ILC does not receive a direct appropriation as part of the Commonwealth budget process. It receives the realised real return from the Land Fund.

The ILC also receives the following types of receipts from independent sources:

- proceeds from sales of livestock and other produce from ILC held properties;
- income generated from properties whilst held by the ILC from leases, agistment, etc;
- interest from investments held;
- interest earned on the Regional Land Fund; and
- proceeds from the realisation of financial instruments held in its investment portfolio.

2.4: MOVEMENT OF ADMINISTERED FUNDS FROM 2004-05 TO 2005-06

ILC has no administered items. For this reason, table 2.4 is not presented.

2.5: SPECIAL APPROPRIATIONS

ILC has no special appropriations. For this reason, table 2.5 is not presented.

2.6: SPECIAL ACCOUNTS

ILC does not administer any special accounts. For this reason, table 2.6 is not presented.

2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

ILC has no administered capital, departmental equity injections or loans.

2.8: REVENUE FROM INDEPENDENT SOURCES

Supplementary Table 1: Revenue from independent sources

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
DEPARTMENTAL REVENUE		
Outcome 1		
Interest	394	651
Other departmental revenue	24,387	16,303
Allocation from Land Fund	63,105	75,689
Total Outcome 1	87,886	92,643
Total non-appropriation departmental revenue	87,886	92,643

Section 3: Agency outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the ILC.

3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS

The ILC was established to assist Aboriginal persons and Torres Strait Islanders to acquire land and manage Indigenous held land so as to provide economic, environmental, social or cultural benefits for Aboriginal persons and Torres Strait Islanders.

Therefore, the ILC works to achieving one outcome, approved by government, which is to *provide economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base*. The following section provides details of the outcome.

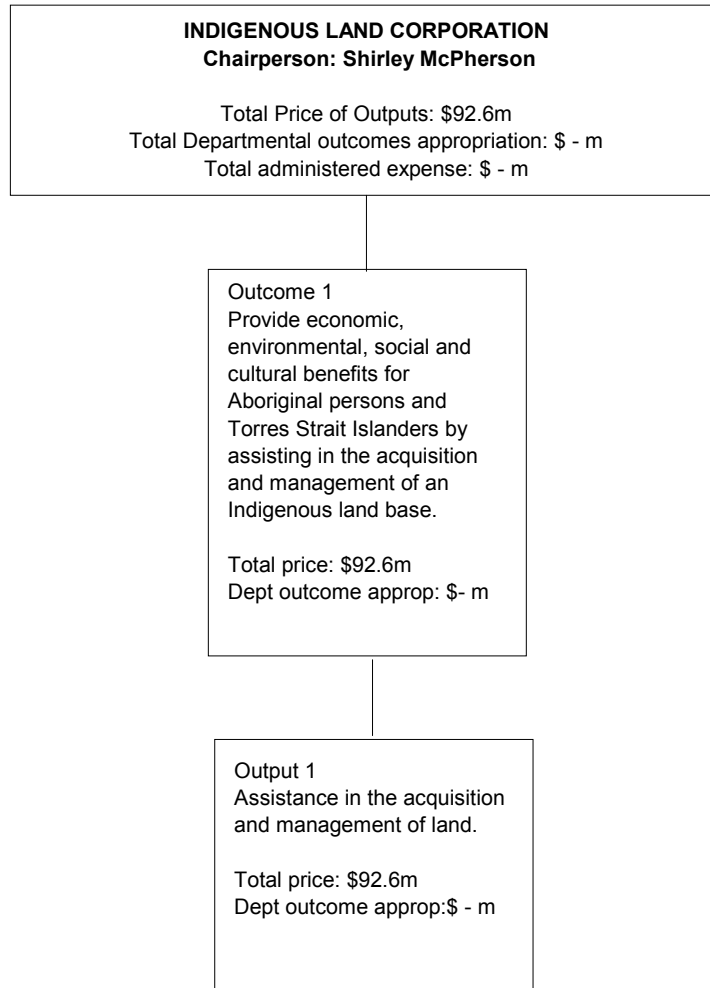
Output cost attribution

As the ILC has only one outcome and output, all overheads and other expenses are allocated to the single output.

Changes to outcomes and outputs

ILC has had no changes to the number, wording or structure of its outcome or outputs since Budget 2004-05.

Figure 4: Outcomes and output groups and administered items



3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Departmental appropriations by outcome

The ILC does not receive a direct appropriation as part of the Commonwealth budget process. It receives the realised real return from the Land Fund. An analysis of departmental resourcing is provided in Section 5.1: Budgeted Financial Statements.

Administered appropriations by outcome

ILC has no administered appropriation.

3.3: OUTCOMES RESOURCING

Outcome 1 resourcing

Table 3.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 3.1: Total resources for Outcome 1 (\$'000)

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
Revenue from other sources		
Revenue from the Land Fund	63,105	75,689
Interest	394	651
Other	24,387	16,303
Total revenue from other sources	87,886	92,643
Total price from departmental outputs (Total revenue from government and from other sources)	87,886	92,643
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	87,886	92,643
	2004-05	2005-06
Average staffing level (number)	130	130

Performance information for Outcome 1

Table 3.2 lists the performance information that the ILC will use to assess the level of its achievement of the planned outcome during 2005-06. There are no administered items. The table also shows the efficiency of the outputs in contributing to the outcome. Information shown is both quantitative and qualitative.

Achievement of planned performance will be reported in the ILC 2005-06 Annual Report.

Table 3.2: Performance information for Outcome 1

Outcome 1 – Provide economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base

Overall achievement of the outcome

Effectiveness

- Develop, implement and periodically revise regional profiles that identify and prioritise Indigenous land needs within regions, through consultation with Indigenous peoples and other relevant parties.
 - Through consultation and investigation, ensure the benefits of land ownership outlined in applications and the benefits of land management assistance sought are clearly identified, achievable, sustainable and measurable.
 - Acquire and transfer land and provide assistance in the management of Indigenous land held through a clearly defined and transparent process.
 - In each acquisition identify and access, to the maximum extent possible, other mechanisms and sources that may assist in the acquisition of significant land for Indigenous peoples.
 - Assist and/or co-ordinate the development, implementation and evaluation of agreed solutions to land management issues on Indigenous held land through consultation, negotiation and agreements with the landowners and other relevant organisations and agencies.
 - Assist Indigenous landowners to develop and maintain viable and sustainable enterprises on their land, both at the individual level and through involvement in regional development processes.
 - Undertake consultation with Indigenous peoples and other stakeholders in the review and revision of the National and Regional Indigenous Land Strategies and to ensure that ILC policies and services are consistent with its legislation and reflect, and to ensure the best extent possible, the expectations and requirements of its stakeholders.
-

Table 3.2: Performance information for Outcome 1 (continued)

Performance information for departmental outputs
<p>Acquired properties are viable, sustainable and capable of achieving economic, environmental, social or cultural benefits for Indigenous people</p> <hr/> <p>Quantity Number of properties acquired by program stream and geographic location</p> <p>Quality Acquired properties are viable and sustainable Identified benefits are achievable and measurable</p> <hr/> <p>Indigenous landowners achieve sustainable benefits through the provision of ILC land management assistance</p> <hr/> <p>Quantity Number of land management projects by program stream and geographic location</p> <p>Quality Identified benefits are achievable and measurable</p> <hr/> <p>Land acquired and land management assistance provided is supported by agreed plans between the ILC, clients and other stakeholders for the delivery of defined and agreed benefits</p> <hr/> <p>Quantity Work plans and milestones are in place for all land acquisitions and land management assistance provided Compliance with work plans is evaluated annually</p> <p>Quality Plans are agreed between ILC, clients and other stakeholders Evaluation fo work plans</p> <hr/>

Table 3.2: Performance information for Outcome 1 (continued)

ILC businesses are sustainable and deliver economic, environmental, social or cultural benefits to Indigenous people
Quantity Number of businesses operated
Quality Businesses are sustainable Identified benefits are achievable and measurable
The majority of land management assistance measures undertaken by the ILC involves the input of other agencies and organisations
Quantity Greater than 50% of land management projects involve the input of resources by other agencies and organisations
National Indigenous Land Strategy is reviewed annually
Quantity At least annually

Evaluations for Outcome 1

Major evaluations of current policy and funding will take place in the course of the annual revision of the National and Regional Indigenous Land Strategies, on the basis of information from the ILC's stakeholder consultation, formal review and evaluation activities.

As a priority the ILC will be conducting a full review of the fifteen properties which are being transferred from ATSIC. The review will involve identifying physical infrastructure and security issues, assessing the planning and capacity of interested parties and considering options for future use/divestment.

Competitive Tendering and Contracting (CTC)

The ILC's purchasing policy is consistent with the principles of *Commonwealth Procurement Guidelines* issued in January 2005.

In addition, for the purpose of the performance of the ILC's functions, the ILC must give priority to the following:

- ensuring that, as far as practical, Aboriginal persons or Torres Strait Islanders derive social or cultural benefits as a result of those functions;
- ensuring that the ILC has access to the skills and resources required to perform its functions;
- maximising the employment of Aboriginal persons and Torres Strait Islanders; and
- maximising the use of goods and services provided by businesses owned or controlled (whether directly or indirectly) by Aboriginal persons or Torres Strait Islanders.

Section 4: Other reporting requirements

4.1: PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

The ILC utilises the services of several agencies for the performance of specialist professional services. However, the use of these agencies is on a competitive bid arrangement.

The Australian Valuation Office (AVO) is on a panel of 'preferred suppliers' for the valuation of properties prior to the purchase by the ILC.

The ILC has renewed an agreement with Department of Environment and Heritage to jointly fund two Indigenous Land Management Facilitator for the Indigenous Land Management Facilitators Network Project.

Funding has been secured from the FarmBis programme of Agriculture, Fisheries and Forestry - Australia (DAFF) to support the ILC's capacity building initiatives.

Responsibility

The ILC Board has determined that it will purchase land on the basis of a market valuation, and that the ILC will not pay more than an independent valuation for any parcel of land approved for purchase. Consequently, the ILC requires a valuation for every parcel of land it purchases. The ILC may utilise the valuation services provided by the Australian Valuation Office under a non-exclusive Service Agreement.

Control arrangements

The Agreements with all suppliers are subject to quality assurance provisions. The terms of the contract and the performance of all service providers are the subject of regular review meetings between the ILC and the respective agencies.

Resourcing

The AVO Service Agreements are included in Output 1.

The grant from the FarmBis program of AFFA comes under Output 1.

4.2: COST RECOVERY ARRANGEMENTS

The ILC does not have any cost recovery arrangements.

4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE (AGIE)

See Portfolio table 1: Australian Government Indigenous Expenditure in the Portfolio Overview section for ILC's component of AGIE for the Immigration and Multicultural and Indigenous Affairs Portfolio.

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Until 2003-04 the ILC received an annual allocation from the Aboriginal and Torres Strait Islander Land Fund (Land Fund) according to a formula specified in Section 193A of the *Aboriginal and Torres Strait Islander Commission Act 1989*. From 2004-05 onwards, it receives the realised real return from the Land Fund specified in Section 193C of the *ATSI Act 2005*.

Under its legislation the ILC has the flexibility to invest funds and to roll over funds not expended in previous years.

Payments from the Land Fund from 2005-06 forward have been estimated based on the historical realised real return of the Land Fund.

The total price of outputs represents the funds available to the ILC to carry out its legislated functions.

As a result of the *ATSI Act 2005* significant assets have transferred from *ATSIC* to the ILC. These assets include fifteen properties and the balance of the Regional Land Fund.

The transfer of the properties and Regional Land Fund are accounted for in 2004-05 as an increase in equity.

Under its legislation, the ILC acquires land for the specific purpose of granting an interest in that land to an Aboriginal or Torres Strait Islander corporation. The ILC capitalises the land on purchase and makes an immediate provision for the grant equivalent to the purchase price. In the Statement of Financial Performance the expenses associated with the purchase and grant of the land is recognised in the period in which the land is purchased.

A provision has also been made in 2004-05 for the properties acquired as a result of the *ATSI Act 2005*.

Under Section 191H of the *ATSI Act 2005* the ILC has the specific power to invest monies of the ILC. In addition, Section 193K specifically exempts the ILC from Section 18(3) of the *Commonwealth Authorities and Companies Act 1997*. Section 18(3) deals with allowable investments.

In accordance with Australian Accounting Standards the ILC values its investments on a market to market basis. Accordingly, the change in market value in any given period is recognised in the Statement of Financial Performance.

The ILC also holds properties for granting that have significant livestock on them. In accordance with Australian Accounting Standards the ILC values the livestock on a market to market basis. Accordingly, the change in market value in any given period is recognised in the Statement of Financial Performance.

5.2: BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental statement of financial performance for the period ended 30 June

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
REVENUE					
Revenues from ordinary activities					
Revenues from Land Fund	63,105	75,689	75,805	75,922	76,039
Interest	394	651	554	574	494
Other	24,387	16,303	16,246	16,259	16,349
Revenues from ordinary activities	87,886	92,643	92,605	92,755	92,882
EXPENSE					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	7,413	8,361	8,947	9,573	10,243
Suppliers	39,035	83,364	82,778	82,248	81,724
Depreciation and amortisation	537	520	570	600	600
Expenses from ordinary activities (excluding borrowing costs expense)	46,985	92,245	92,295	92,421	92,567
Operating surplus or (deficit) from ordinary activities	40,901	398	310	334	315
Net surplus or (deficit)	40,901	398	310	334	315
Net surplus or deficit attributable to the Australian Government	40,901	398	310	334	315

Table 5.2: Budgeted departmental statement of financial position as at 30 June

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
ASSETS					
Financial assets					
Cash	253	403	403	303	353
Receivables	610	710	610	510	460
Other investments	288,665	289,082	289,463	289,897	290,313
Other financial assets	511	461	461	461	461
Total financial assets	290,039	290,656	290,937	291,171	291,587
Non-financial assets					
Infrastructure, plant and equipment	4,532	4,532	4,482	4,402	4,332
Inventories	15,000	15,000	15,000	15,000	15,000
Intangibles	342	323	303	282	253
Other non-financial assets	40	40	40	40	40
Total non-financial assets	19,914	19,895	19,825	19,724	19,625
Total assets	309,953	310,551	310,762	310,895	311,212
LIABILITIES					
Provisions					
Employees	1,463	1,563	1,413	1,312	1,263
Total provisions	1,463	1,563	1,413	1,312	1,263
Payables					
Suppliers	846	946	996	896	947
Other payables	76	76	76	76	76
Total payables	922	1,022	1,072	972	1,023
Total liabilities	2,385	2,585	2,485	2,284	2,286
EQUITY*					
Parent entity interest					
Retained surpluses or accumulated deficits	307,568	307,966	308,277	308,611	308,926
Total parent entity interest	307,568	307,966	308,277	308,611	308,926
Total equity	307,568	307,966	308,277	308,611	308,926
Current assets	55,863	56,113	56,013	55,813	55,813
Non-current assets	254,090	254,438	254,749	255,082	255,399
Current liabilities	1,654	1,804	1,779	1,628	1,655
Non-current liabilities	731	781	706	656	631

*Note: 'equity' is the residual interest in assets after deduction of liabilities.

Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	2,601	2,640	2,640	2,640	2,640
Revenue from Land Fund	63,105	75,689	75,805	75,922	76,039
Interest	376	651	554	574	494
Other	3,868	8,883	8,818	8,765	8,712
Extraordinary items	7,387	-	-	-	-
Total cash received	77,337	87,863	87,817	87,901	87,885
Cash used					
Employees	7,338	8,361	8,947	9,573	10,243
Suppliers	32,311	92,229	91,584	91,001	90,425
Extraordinary items	6,236	-	-	-	-
Total cash used	45,885	100,590	100,531	100,574	100,668
Net cash from or (used by) operating activities	31,452	(12,727)	(12,714)	(12,673)	(12,783)
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	3	-	-	-	-
Proceeds from sales of financial instruments	-	13,780	13,517	13,376	13,636
Total cash received	3	13,780	13,517	13,376	13,636
Cash used					
Purchase of property, plant and equipment	818	550	550	550	550
Purchase of financial instruments	31,515	353	253	253	253
Total cash used	32,333	903	803	803	803
Net cash from or (used by) investing activities	(32,330)	12,877	12,714	12,573	12,833
Net increase or (decrease) in cash held	(878)	150	-	(100)	50
Cash at the beginning of the reporting period	1,131	253	403	403	303
Cash at the end of thereporting period	253	403	403	303	353

Table 5.4: Departmental capital budget statement

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally by					
Departmental resources	1,509	500	500	500	500
Total	1,509	500	500	500	500

Table 5.5: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)

	Other infrastructure plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 1 July 2005			
Gross book value	8,162	586	8,748
Accumulated depreciation	3,630	244	3,874
Opening net book value	4,532	342	4,874
Additions:			
by purchase	500	-	500
by finance lease	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-
Depreciation/amortisation expense	500	20	520
Other movements	-	-	-
As at 30 June 2006	4,532	322	4,854
Gross book value	8,662	586	9,248
Accumulated depreciation	4,130	264	4,394
Closing net book value	4,532	322	4,854

5.3: NOTES TO THE FINANCIAL STATEMENTS

Departmental financial statements and schedule of administered activity

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (departmental transactions) are separately budgeted for and reported on from transactions agencies do not have control over (administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

- departmental items are those assets, liabilities, revenues and expenses in relation to an agency or authority that are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.
- administered items are revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the government according to set government directions. Administered expenses include subsidies, grants and personal benefit payments and administered revenues include taxes, fees, fines and excises.

The ILC has no administered items.

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided for:

- departmental price of outputs appropriations: representing the government's funding for outputs from agencies;
- departmental capital appropriations: for investments by the government for either additional equity or loans in agencies;
- administered expense appropriations: for the estimated administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the states; and
- administered capital appropriations: for increases in administered equity through funding non-expense administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to State governments).

Administered investments in controlled entities

Each Commonwealth Department is required to show an administered investment in each *Commonwealth Authority and Company Act 1997* entity within their portfolio. These administered investments should be valued at the Commonwealth's ownership interest in the net assets of those CAC entities, fixed at a notional acquisition date of 30 June 1997.

Asset valuation

From 1 July 2002 Commonwealth agencies and authorities are required to use either the cost basis or the fair value basis to measure property, plant and equipment. The shift from the deprival method of valuation to fair value should occur gradually over a three-year period. Fair value essentially reflects the current market value of an asset.

Summary of Significant Accounting Policies

Basis of accounting

The budgeted financial statements are a special purpose financial report.

Rounding

The budgeted financial statements have been rounded to the nearest thousand dollars.

Principles of Consolidation

The consolidated budgeted financial statements are those of the economic entity, comprising the ILC (the parent entity) and its wholly owned subsidiaries.

Investments

Investments are recorded at their current cash-based valuation at reporting date. The ILC manages a small part of its investment portfolio in-house and the remainder is outsourced to fund managers. Section 193K of the ATSI Act 2005 states that the investment restrictions in Section 18(3) of the *Commonwealth Authorities and Companies Act 1997* do not apply to the ILC.

Land and buildings held for transfer

Land, plant and equipment and livestock held for transfer represent properties purchased for the purpose of transfer to appropriate organisations in line with the objectives of the ILC and properties transferred to the ILC as a result of the ATSI Act 2005. Land purchases (including the related plant, equipment and livestock, acquisition and holding costs) are capitalised on purchase. A provision is raised in the Statement of Financial Performance for the full cost of land purchases (excluding livestock) representing the sacrifice of future benefits embodied in the assets.

Land Management

The ILC negotiates with Indigenous land holders and develops a package of agreed solutions to land management problems identified by the land holders. Land Management expenses also include the cost of care-taking and maintaining property held by the ILC, and expenses associated with ILC's "Property Remediation Program".

Inventory

Inventory held represents livestock held for trading purposes. Inventory is valued at market value as at reporting date.

Recognition of income

Receipts from the Land Fund are recognised at the time the ILC becomes entitled to receive the revenue and have been classified for the purpose of this report as Revenues from Land Fund.

Economic Dependency

The ILC is dependent on the realised real return from the Land Fund in accordance with Section 193C of the ATSI Act 2005.

