AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Overview, Additional Estimates and Variations to Outcomes

OVERVIEW

There has been no change to the overview to that included in the 1999-2000 Portfolio Budget Statements.

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

Additional estimates of $3.998 million are sought for establishment funding for the integration of the State based Financial Institutions scheme, which became the responsibility of the Australian Prudential Regulation Authority (APRA) from 1 July 1999. This funding will be repaid through levies over the next three years, and is reflected in the Memorandum of Understanding between the Department of Finance and Administration and the Department of the Treasury.

Australian Prudential Regulation Authority

Chief Executive Officer: Mr Graeme Thompson

Overall Outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality

Total Price of Outputs: $57.089 million
Agency Outcomes Appropriation: $54.120 million

Output Group 1.1

Australian Prudential Regulation Authority

Output 1.1.1	Output 1.1.2	Output 1.1.3
Policy development	Surveillance programmes	Financial advice

Breakdown of Additional Estimates by Appropriations Bill

Table 1.2: Appropriation Bill (No 3) 1999-2000

	1998-99 Estimated Expenses $'000	1999-00 Budget $'000	1999-00 Revised $'000	Additional Estimates $'000	Reduced Estimates $'000
Agency Outputs					
Outcome 1					
To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality	45,425	1,500	5,498	3,998	—
Total	45,425	1,500	5,498	3,998	—

Table 1.4: Staff Years (Number)

	1999-00 Budget	1998-99 Revised	Variation
Outcome 1	415	379	36

Section 2: Outcomes and Outputs Information

OUTCOMES AND OUTPUT GROUPS

APRA has not made any changes to its outcome or outputs since the 1999-2000 Portfolio Budget Statements.

REVISED PERFORMANCE INFORMATION AND LEVEL OF ACHIEVEMENT — 1999-2000

The Additional Estimate has not resulted in any changes to Performance Information to that included in the 1999-2000 Portfolio Budget Statements.

Section 3: Budget Financial Statements

The budget financial statements will form the basis of the financial statements that will appear in the Australian Prudential Regulation Authority's 1999-2000 Annual Report, and form the basis for the input into the Whole of Government Accounts.

Budget Statement of Revenues and Expenses (Budget Operating Statement)

This statement provides a picture of the expected financial results for APRA by identifying full accrual expenses and revenues, which highlights whether APRA is operating at a sustainable level.

Budget Statement of Assets and Liabilities (Budget Balance Sheet)

This statement shows the financial position of APRA. It enables decision-makers to track the management of APRA's assets and liabilities.

Budget Cash Flow Statement

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Capital Budget

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Table 3.1: Budget Statement of Revenue and Expenses

	Actual	Revised Budget	Estimated		
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Agency Revenue and Expenses					
Revenues					
Revenue from government					
Ordinary annual appropriations (net appropriations)	45,450	1,500	—	—	—
Special appropriation	—	52,620	53,536	52,037	46,597
Resources received free of charge	—	272	—	—	—
Revenue from other sources					
Sales of goods and services	1,498	2,190	300	300	300
Other revenue from other sources	2,083	507	757	816	895
Total Revenue	49,031	57,089	54,593	53,153	47,792
Expenses					
Employees	32,566	33,729	33,952	34,016	33,505
Depreciation and amortisation	2,131	3,413	3,440	2,986	2,996
Other costs of providing goods and services	11,576	16,863	10,610	10,299	9,864
Total Expenses	46,273	54,005	48,002	47,301	46,365
Operating Result	2,758	3,084	6,591	5,852	1,427
Loss on abnormal item	7,137	5,525	—	—	—
Transfers and Dividends	—	—	—	—	—
Surplus/(Deficit)	(4,379)	(2,441)	6,591	5,852	1,427
Net contribution to government	—	—	—	—	—

Table 3.2: Budget Statement of Assets and Liabilities

	Actual	Revised Budget	Estimated		
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Agency Assets and Liabilities					
Debt					
Prepayment of Levies	12,319	10,879	5,440	—	—
Other	3,359	11,637	10,237	10,237	10,237
Total Debt	15,678	22,516	15,677	10,237	10,237
Provisions and Payables					
Employees	16,754	8,500	7,700	7,400	7,000
Suppliers	1,440	300	300	300	300
Total Provisions and Payables	18,194	8,800	8,000	7,700	7,300
Equity					
Surplus/(Deficit)	(4,379)	(2,441)	6,591	5,852	1,427
Accumulated results from prior years	5,255	876	(1,565)	5,027	10,879
Total Equity	876	(1,565)	5,026	10,879	12,306
Total Liabilities and Equity	34,478	29,751	28,703	28,816	29,843
Financial Assets					
Cash	24,642	18,207	19,664	21,123	23,603
Receivables	487	700	300	300	300
Total Financial Assets	25,129	18,907	19,964	21,423	23,903
Non-financial Assets					
Infrastructure, plant and equipment	6,484	6,487	5,249	4,810	4,385
Intangibles	2,461	3,457	2,590	1,683	655
Other	674	900	900	900	900
Total Non-financial Assets	9,619	10,844	8,739	7,393	5,940
Total Assets	34,748	29,751	28,703	28,816	29,843

Table 3.3: Budget Cash Flow Statement

	Actual	Revised Budget			Estimated
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Agency Cash Flows					
Operating Activities					
Cash Received					
Appropriations	61,583	61,111	48,092	46,593	46,597
Sales of goods and services	1,594	1,978	300	300	300
Other	4,979	507	757	816	895
Total Cash Received	68,156	63,596	49,149	47,709	47,792
Cash Used					
Employees	30,774	45,206	35,672	34,509	34,101
Suppliers	9,481	20,752	10,610	10,026	9,593
Total Cash Used	40,255	65,958	46,282	44,535	43,694
Net Cash from Operating Activities	27,901	(2,362)	2,867	3,174	4,098
Investing Activities					
Cash Received					
Proceeds from sale of property, plant and equipment	19	—	—	—	—
Total Cash Received	19	—	—	—	—
Cash Used					
Purchase of property, plant and equipment	4,345	4,073	1,410	1,715	1,618
Total Cash Used	4,345	4,073	1,410	1,715	1,618
Net Cash from Investing Activities	(4,326)	(4,073)	(1,410)	(1,715)	(1,618)
Financing Activities					
Cash Received	1,067	—	—	—	—
Total Cash Received	1,067	—	—	—	—
Cash Used					
Repayment of prepaid levies	—	—	—	—	—
Total Cash Used	—	—	—	—	—
Net Cash from Financing Activities	1,067	—	—	—	—
Net increase/decrease in cash held	24,642	(6,435)	1,457	1,459	2,480
Add cash as at 1 July	—	24,642	18,207	19,664	21,123
Cash as at 30 June	24,642	18,207	19,664	21,123	23,603

CAPITAL BUDGET

APRA will not receive a Capital Appropriation, but will internally fund the purchase of non-current assets, including finance leases, from its Agency resources.

Table 3.4: Capital Budget

	Actual	Revised Budget	Estimated		
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Funded by capital appropriations	—	—	—	—	—
Funded internally by Agency resources	4,345	4,073	1,410	1,715	1,618
Total	4,345	4,073	1,410	1,715	1,618

NOTES TO THE FINANCIAL STATEMENTS

Budget Statement of Revenue and Expenses

The ordinary annual appropriation is the appropriation provided to run the excluded superannuation funds on behalf of the ATO. The ATO will supervise excluded superannuation funds from 1 July 1999, but administrative arrangements during a transition period will require APRA to provide administrative support. The lower amount reflects the fact that in 1998-1999 APRA's funding from levies, except those from excluded superannuation funds, was also paid via an annual appropriation.

The other services appropriation is the special appropriation for the levies collected by APRA for all industries except excluded superannuation funds. The revenue recognised by APRA is net of the levies collected by APRA which are retained in the Commonwealth Public Account to be directed to the Australian Securities and Investments Commission ($11,600,000), for consumer protection and market integrity functions, and to the Australian Taxation Office ($2,352,000), for unclaimed monies and lost members functions.

It is assumed that the Australian Government Actuary will transfer to the Treasury in 2000-2001 and discussions are currently under way to finalise the transfer. Sales from other goods and services drop in the budgeted year on the assumption that the transfer will take effect from 1 July 2000. In the Portfolio Budget Statements it had been assumed that the transfer would take effect from 1 July 1999.

The abnormal item relates to expenses which are directly attributable to the restructuring of APRA and include expenditure on separation and redundancy, surplus leased space, employee entitlements and staff relocation.

There is no capital charge on APRA, which is funded mainly by industry levies.

Budget Statement of Assets and Liabilities

The debt represents the appropriation of $16.1 million in 1998-99 and the $4 million included in additional estimates less the repayments made. This funding was provided to support the establishment of APRA.

Provisions and payables represent liabilities for employee benefits including leave and miscellaneous accruals.

Equity reflects accumulated results for 1998-99 and 1999-2000 in addition to the opening balance, being the net value of assets and liabilities transferred from the Reserve Bank and the Insurance and Superannuation Commission on the formation of APRA on 1 July 1998.

Financial assets includes cash that may be held in government securities and receivables for miscellaneous income derived by the agency.

Non-financial assets include assets held as leasehold improvements, furniture and fittings, computer hardware and office equipment; and intangibles include capitalised software.

Budget Cash Flow Statement

Cash received from operating activities reflects the appropriation received, net of the amount retained in the Commonwealth Public Account to repay prepaid levies, cash from fees and charges; and interest payments from cash held in government securities.

Cash received from investing activities includes the prepayment of levies received to support the establishment of APRA.

Cash used includes cash spent on building infrastructure.

Appendix 1

Non-Appropriation Agency and Administered Revenue

	Revised Estimate 1998-99 $'000	Revised Estimate 1999-00 $'000
Agency other income	3,581	2,697
Total Estimated Revenue	3,581	2,697

Note: Agency other income is derived from fees and charges, including those of the Australian Government Actuary, and interest earned on investments. The income drops from 1998-99 due to the drop in the cash balance on which the interest is earned.

Appendix 2

Estimates of Expenses from Special Appropriations

	Estimated Expense	Estimated Expense
	1998-99 $'000	1999-00 $'000
Levies	—	61,057
Total Estimated Expense	—	61,057

Note: The estimates of expenses for levies is the levies collected by APRA which are appropriated to APRA to fund the cost of supervision. In 1998-1999 APRA was funded through an annual appropriation.