AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Overview, Appropriations and Budget Measures Summary

OVERVIEW

The Australian Office of Financial Management (AOFM) was established on 1 July 1999 as a 'prescribed agency' under the *Financial Management and Accountability Act 1997*. At that time it assumed responsibility for the Commonwealth's debt management activities previously undertaken by the Department of the Treasury.

The objective of the AOFM is to raise, manage and retire Commonwealth debt at the lowest possible long-term cost, consistent with an acceptable degree of risk exposure.

APPROPRIATIONS

The total appropriations for the AOFM in the 2000-01 Budget are $60,917.3 million. Table 1.1 on the following page shows the total appropriations for the AOFM's outcome.

Price of output appropriation of $5.7 million is based on budgeted expenses (of $5.9 million) after deducting estimated revenues from external sources (of $0.2 million).

The total administered outcome appropriation of $60,907.5 million is based on budgeted expenses of $8,680.0 million and budgeted debt raising and financial investment activity of $52,227.5 million.

Australian Office of Financial Management — Appropriations 2000-01

Table 1.1: Appropriations ($'000)

Outcomes	Agency (Price of Outputs)					Administered				
	Revenue from Government (Appropriations)			Revenue from Other Sources[a]	Price of Outputs	Annual Appropriations		Special Approps[b]	Total Administered Appropriations	Total Appropriations
	Bill No. 1	Special Approps	Total			Bill No. 1[b]	Bill No. 2 (SPPs & NAOs)			
	(A)	(B)	(C=A+B)	(D)	(E= C+D)	(F)	(G)	(H)	(I=F+G+H)	(J=C+I)
Outcome 1 — To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time	5,706	-	5,706	162	5,868	4,429	-	60,903,047	60,907,476	60,913,182
Total	5,706	-	5,706	162	5,868	4,429	-	60,903,047	60,907,476	60,913,182
Agency Capital (Equity Injections and Loans)										749
Administered Capital										3,400
Total Appropriations										60,917,331

(a) Revenue from Other Sources includes other revenue from Government (for example, resources free of charge) and revenue from sources other than Government (for example, sales of goods and services).

(b) Estimated expenses from individual Appropriation Bill No. 1 items and Special Appropriations are shown in Appendix 2.

ADMINISTERED CAPITAL AND AGENCY CAPITAL (EQUITY INJECTIONS AND LOANS)

The AOFM will receive an agency loan of $0.7 million. These funds will be used for office relocation and acquisition of leasehold improvements.

In addition to the agency loan, the AOFM will receive administered capital of $3.4 million for new specialist debt management hardware and software.

Section 2: Outcomes and Outputs Information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between Government outcomes and the contributing outputs for the AOFM. Financial details for Outcome 1 by output appear in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Australian Office of Financial Management

Chief Executive Officer: Michael Allen

Overall Government Outcome

Strong, sustainable economic growth and the improved wellbeing of Australians.

Outcome 1

To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time.

Total Price of Outputs: $5.9 million
Total Administered Expenses: $8,680.0 million

Output 1.1

Debt Management

Total Price of Output 1: $5.9 million
Total Administered Expenses: $8,680.0 million

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes in outcomes or outputs since the previous year.

OUTCOME 1

To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time

MEASURES IN THE 2000-01 BUDGET

There are no Budget measures for the AOFM.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2000-01 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 2.1: Total Resources for Outcome 1 ($'000)

	Estimated Actual 1999-00 ($'000)	Budget Estimate 2000-01 ($'000)
Administered appropriations		
Annual appropriations	2,043	4,429
Special appropriations	55,045,368	60,903,047
Total administered appropriations	55,047,411	60,907,476
Agency appropriations		
Output 1.1 — Debt Management	5,535	5,706
Subtotal output 1.1	5,535	5,706
Total revenue from Government (appropriations)	5,535	5,706
contributing to price of agency outputs	99.2%	97.2%
Revenue from other sources		
Output 1.1 — Debt Management	42	162
Total revenue from other sources	42	162
Total price of agency outputs	5,577	5,868
Total estimated resourcing for outcome 1	55,052,988	60,913,344

	1999-00	2000-01
Average staffing levels (number)	20	42

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The AOFM has only one output — debt management. The AOFM's debt management operations include the issue of various borrowing instruments, the strategic formulation and undertaking of portfolio management, including through swap transactions, and the administration of the Commonwealth debt portfolio.

Despite surplus funding positions in recent years, the AOFM has undertaken modest issuance programs directed at maintaining net debt within agreed portfolio limits as well as seeking to maintain the liquidity and efficiency of Commonwealth Government securities markets. Integral to the continuing efficient management of its funding risk, the AOFM's specific objective for its major debt instrument, Treasury Fixed Coupon Bonds, remains building and maintaining liquidity in key benchmark lines over a yield curve extending to around 12-13 years.

The AOFM's portfolio management objective is to minimise the cost of debt over the long-term, subject to acceptable market risk. This objective forms the basis for a defined portfolio benchmark that serves as a target for the composition and nature of market risks within the Commonwealth debt portfolio. The analytical framework behind the benchmark assesses the trade-off between the long-term expected cost and risk of different portfolio structures thus allowing informed decisions about the nature of Commonwealth market exposures.

Debt administration is undertaken by the AOFM in conformity with legislative requirements and in compliance with approved accounting standards.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance Information 2000-01

Effectiveness — Overall achievement of the outcome	
Debt issued by the Commonwealth (including CGS allocated to States and Territories) and debt assumed from Commonwealth agencies.	Achievement of the Commonwealth's financing task in a cost-effective manner.
Performance information for agency outputs	
Output Group 1.1	
Output 1.1 — Debt Management	Achievement of the Commonwealth's financing task in a cost-effective manner. Timely production of reports on debt management activities. Efficient execution of the Commonwealth's borrowing activities. Partial indicators include the range of accepted bids and the basis point spread between tender and secondary market yields. Efficient management of the Commonwealth's cash balances. Indicators include achievement of the Ministerially endorsed cumulative average cash balance target as at end-year.

Evaluations

Performance with regard to producing the debt management output is currently evaluated using benchmark analysis and regular review of the broader risk management framework to ensure that it remains appropriate in the light of Commonwealth operations and market conditions.

Competitive Tendering and Contracting

The AOFM is in the process of developing a Competitive Tendering and Contracting strategy which will bring together management's position on:

- core and non-core activities of the AOFM;
- future objectives for non-core activities;
- market capacity and willingness; and
- the market testing program.

Given that the Department of the Treasury provides corporate services functions to the AOFM, aspects of the strategy will need to be agreed with the Treasury.

Section 3: Budgeted Financial Statements

Budgeted agency and administered financial statements for the AOFM, and related notes, are presented in this section. The financial statements are produced for 1999-00 (estimated actual results), 2000-01 (Budget estimate) and three forward years and comprise the following statements. The financial statements should be read in conjunction with the accompanying notes.

Budget Statement of Revenues and Expenses (Budget Operating Statement)

This statement provides a picture of the expected financial results for the AOFM by identifying full accrual expenses and revenues.

Budget Statement of Assets and Liabilities (Budget Balance Sheet)

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

Budget Cash Flow Statement

This statement provides information on the extent and nature of budgeted cash flows, categorised into expected cash flows from operating activities, investing activities and financing activities.

Capital Budget Statement

This statement shows all proposed capital expenditure on non-financial assets, whether funded either through capital appropriations (equity or borrowings) or from internally sourced funds.

Non-financial Assets — Summary of Movement

This statement shows the movement in the AOFM's non-financial assets during the Budget year 2000-01.

Notes to the Financial Statements

These form an integral part of the Budget Financial Statements and provide a summary of the basis on which Statements were prepared.

Table 3.1: Agency Budget Statement of Revenues and Expenses (for the period ended 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Operating revenue					
Revenues from Government	5,535	5,706	5,806	5,896	5,846
Interest	42	162	176	191	207
Total operating revenues *(before abnormal items)*	5,577	5,868	5,982	6,087	6,053
Operating expenses					
Employees	1,698	3,300	3,376	3,446	3,417
Suppliers	830	2,043	2,088	2,130	2,136
Depreciation and amortisation	127	154	154	154	150
Interest	-	45	38	31	24
Total operating expenses	2,655	5,542	5,656	5,761	5,727
Operating surplus or deficit before abnormal and extraordinary items	2,922	326	326	326	326
Abnormal and extraordinary items	-	-	-	-	-
Operating surplus or deficit after abnormal and extraordinary items	2,922	326	326	326	326
Capital use charge paid	-	326	326	326	326
Operating surplus or deficit after abnormal and extraordinary items and CUC	2,922	-	-	-	-

Table 3.2: Agency Budget Statement of Assets and Liabilities (as at 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Assets					
Financial assets					
Cash	3,246	3,524	3,822	4,131	4,399
Total financial assets	3,246	3,524	3,822	4,131	4,399
Non-financial assets					
Infrastructure, plant and equipment	13	608	454	300	150
Total non-financial assets	13	608	454	300	150
Total assets	3,259	4,132	4,276	4,431	4,549
Liabilities					
Debt					
Loans	-	674	599	524	449
Total debt	-	674	599	524	449
Provisions and payables					
Employees	511	709	927	1,157	1,351
Suppliers	28	29	30	30	29
Total provisions and payables	539	738	957	1,187	1,380
Total liabilities	539	1,412	1,556	1,711	1,829
Equity					
Accumulated surplus or deficit	2,720	2,720	2,720	2,720	2,720
Total equity	2,720	2,720	2,720	2,720	2,720
Current liabilities	246	400	489	578	653
Non-current liabilities	293	1,012	1,067	1,133	1,176
Current assets	3,246	3,524	3,822	4,131	4,399
Non-current assets	13	608	454	300	150

Table 3.3: Agency Budget Cash Flow Statement (for the period ended 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Operating activities					
Cash received					
Appropriations for outputs	5,535	5,706	5,806	5,896	5,846
Interest	42	162	176	191	207
Total cash received	5,577	5,868	5,982	6,087	6,053
Cash used					
Employees	1,529	3,102	3,158	3,216	3,223
Supplies	802	2,042	2,087	2,130	2,137
Interest	-	45	38	31	24
Total cash used	2,331	5,189	5,283	5,377	5,384
Net cash from operating activities	3,246	679	699	710	669
Cash used					
Purchase of property, plant and equipment	-	749	-	-	-
Total cash used	-	749	-	-	-
Net cash from investing activities	-	-749	-	-	-
Financing activities					
Cash received					
Proceeds from debt	-	749	-	-	-
Total cash received	-	749	-	-	-
Cash used					
Repayments of debt	-	75	75	75	75
Capital use and dividends paid	-	326	326	326	326
Total cash used	-	401	401	401	401
Net cash from financing activities	-	348	-401	-401	-401
Net increase in cash held	3,246	278	298	309	268
Cash at the beginning of the reporting period	-	3,246	3,524	3,822	4,131
Cash at the end of the reporting period	3,246	3,524	3,822	4,131	4,399

Table 3.4: Agency Capital Budget Statement (for the period ended 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Capital appropriations					
Total loans	-	749	-	-	-
Represented by					
Purchase of non-current assets	-	749	-	-	-
Other	-	-	-	-	-
Total	-	749	-	-	-
Purchase of non-current assets					
Funded by capital appropriations	-	749	-	-	-
Funded internally by departmental resources	-	-	-	-	-
Total amount funded	-	749	-	-	-

Table 3.5: Agency Non-financial Assets Statement — Summary of Movement

	Land $'000	Buildings $'000	Total Land and Buildings $'000	Other Infrastructure, Plant and Equipment $'000	Total Infrastructure, Plant and Equipment $'000	Intangibles $'000	Total $'000
Gross value							
As at 1 July 2000 (opening)	-	-	-	17	17	585	602
Additions	-	-	-	749	749	-	749
Disposals	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
As at 30 June 2001 (closing)	-	-	-	766	766	585	1,351
Accumulated depreciation							
As at 1 July 2000 (opening)	-	-	-	4	4	585	589
Disposals	-	-	-	-	-	-	-
Charge for the reporting period	-	-	-	154	154	-	154
Other movements	-	-	-	-	-	-	-
As at 30 June 2001 (closing)	-	-	-	158	158	585	743
Net book value as at 30 June 2001 (Closing book value)	-	-	-	608	608	-	608
Net book value as at 1 July 2000 (Opening book value)	-	-	-	13	13	-	13

Total additions							
Self funded	-	-	-	-	-	-	-
Appropriations	-	-	-	749	749	-	749
Total	-	-	-	749	749	-	749

Table 3.6: Statement of Administered Revenues and Expenses (for the period ended 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Operating revenues					
Non-taxation					
Revenues from Government	55,047,411	60,907,476	68,770,085	98,369,441	95,090,677
Interest	2,559,690	2,973,265	3,723,019	5,099,424	6,526,719
Other sources of non taxation revenues	866	856	851	847	849
Total non-taxation	57,607,967	63,881,597	72,493,955	103,469,712	101,618,245
Total operating revenues	57,607,967	63,881,597	72,493,955	103,469,712	101,618,245
Operating expenses					
Grants	64,636	56,644	45,556	29,916	35,337
Net foreign exchange losses	800,237	-	-	-	-
Interest and other financing costs	8,290,466	8,622,481	7,944,539	8,115,868	7,911,237
Other	828	829	829	829	829
Total operating expenses	9,156,167	8,679,954	7,990,924	8,146,613	7,947,403
Abnormal/extraordinary revenue	2,610,988	-	-	-	-
Net contribution or cost to the budget outcome	51,062,788	55,201,643	64,503,031	95,323,099	93,670,842
Transfers to the official public account					
Amount remitted from administered revenues	32,469,979	48,100,615	50,369,082	70,950,321	73,342,782
Net surplus or deficit	18,592,809	7,101,028	14,133,949	24,372,778	20,328,060

Table 3.7: Statement of Administered Assets and Liabilities (as at 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Assets					
Financial assets					
Receivables	7,865,606	7,377,192	7,152,122	7,061,331	6,690,300
Investments	9,600,000	-	-	-	-
Accrued revenues	179,505	88,302	152,999	232,027	316,420
Total financial assets	17,645,111	7,465,494	7,305,121	7,293,358	7,006,720
Non-financial assets					
Infrastructure, plant and equipment	-	3,400	3,400	3,400	3,400
Total non-financial assets	-	3,400	3,400	3,400	3,400
Total assets	17,645,111	7,468,894	7,308,521	7,296,758	7,010,120
Liabilities					
Debt					
Loans	78,946,903	61,902,159	48,151,608	24,042,347	3,777,980
Other	1,922,614	1,755,346	1,232,127	957,264	549,279
Total debt	80,869,517	63,657,505	49,383,735	24,999,611	4,327,259
Provisions and payables					
Other	2,280,137	2,211,504	2,190,952	2,190,535	2,248,189
Total provisions and payables	2,280,137	2,211,504	2,190,952	2,190,535	2,248,189
Total liabilities	83,149,654	65,869,009	51,574,687	27,190,146	6,575,448
Equity					
Capital	-	3,400	3,400	3,400	3,400
Accumulated surplus or deficit	-65,504,543	-58,403,515	-44,269,566	-19,896,788	431,272
Total equity	-65,504,543	-58,400,115	-44,266,166	-19,893,388	434,672

Table 3.8: Administered Cash Flow Statement (for the period ended 30 June)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Operating activities					
Cash received					
Appropriations	8,675,973	8,383,273	7,992,823	8,128,623	7,917,603
Interest	2,408,252	2,920,154	3,639,669	5,001,989	6,470,180
Other	38	25	20	20	20
Total cash received	11,084,263	11,303,452	11,632,512	13,130,632	14,387,803
Cash used					
Grants	64,636	56,644	45,556	29,916	35,337
Interest and other financing costs	8,610,508	8,325,800	7,946,438	8,097,878	7,881,437
Cash to official public account	2,408,290	2,920,179	3,639,689	5,002,009	6,470,200
Other	829	829	829	829	829
Total cash used	11,084,263	11,303,452	11,632,512	13,130,632	14,387,803
Net cash from operating activities	-	-	-	-	-
Investing activities					
Cash received					
Cash from official public account	11,261,015	795,668	2,265,937	1,684,863	2,715,733
Other	1,486,738	696,771	1,817,393	1,487,312	2,411,582
Total cash received	12,747,753	1,492,439	4,083,330	3,172,175	5,127,315
Cash used					
Purchase of property, plant and equipment	-	3,400	-	-	-
Cash to official public account	1,486,738	696,771	1,817,393	1,487,312	2,411,582
Other	11,261,015	792,268	2,265,937	1,684,863	2,715,733
Total cash used	12,747,753	1,492,439	4,083,330	3,172,175	5,127,315
Net cash from investing activities	-	-	-	-	-

Table 3.8: Administered Cash Flow Statement (for the period ended 30 June) (continued)

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Financing activities					
Cash received					
Proceeds from borrowings	28,561,000	44,471,000	44,912,000	64,461,000	64,461,000
Cash from official public account	35,494,474	51,663,014	58,511,222	88,534,961	84,427,541
Other	640,087	486,395	151,329	35,300	297,826
Total cash received	64,695,561	96,620,409	103,574,551	153,031,261	149,186,367
Cash used					
Repayments of debt	36,120,610	52,136,744	58,662,551	88,570,261	84,725,367
Cash to official public account	28,574,951	44,483,665	44,912,000	64,461,000	64,461,000
Total cash used	64,695,561	96,620,409	103,574,551	153,031,261	149,186,367
Net cash from financing activities	-	-	-	-	-
Net increase in cash held					
Cash at beginning of reporting period	-	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

Table 3.9: Administered Capital Budget Statement

	Estimated Actual 1999-00 $'000	Budget Estimate 2000-01 $'000	Forward Estimate 2001-02 $'000	Forward Estimate 2002-03 $'000	Forward Estimate 2003-04 $'000
Capital appropriations					
Administered capital	-	3,400	-	-	-
Represented by					
Purchase of non-current assets	-	3,400	-	-	-
Other	-	-	-	-	-
Total	-	3,400	-	-	-

Table 3.10: Administered Non-financial Assets — Summary of Movement

	Land	Buildings	Total Land and Buildings	Other Infrastructure, Plant and Equipment	Total Infrastructure, Plant and Equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross value							
As at 1 July 2000 (opening)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	3,400	3,400
Disposals	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
As at 30 June 2001 (closing)	-	-	-	-	-	3,400	3,400
Accumulated depreciation							
As at 1 July 2000 (opening)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Charge for the reporting period	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
As at 30 June 2001 (closing)	-	-	-	-	-	-	-
Net book value as at 30 June 2001 (Closing Book value)	-	-	-	-	-	3,400	3,400
Net book value as at 1 July 2000 (Opening book value)	-	-	-	-	-	-	-

Total additions							
Self funded	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	3,400	3,400
Total	-	-	-	-	-	3,400	3,400

NOTES TO THE FINANCIAL STATEMENTS

Goods and Services Tax

The budgeted financial statements have been prepared in accordance with the GST accounting guidelines of the Urgent Issues Group (UIG) of the Australian Accounting Research Foundation. The UIG consensus requires that expenses and assets be accounted for net of recoverable GST, revenues be accounted for net of GST payable and that cash flows and accounts payable and receivable be reported gross. Appropriations are thus net of recoverable GST amounts.

Agency and Administered Financial Statements

Under the Commonwealth's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (agency transactions) are separately budgeted for and reported 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.

- Agency assets, liabilities, revenues and expenses in relation to an agency or authority are those which are controlled by the agency. Agency 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 which are managed by an agency or authority on behalf of the Government according to set Government directions. Administered expenses include interest incurred on Commonwealth debt and administered revenues include interest earned on housing agreement loans and interest from swaps.

Appropriations in the Accrual Budgeting Framework

Under the Commonwealth's accrual budgeting framework, separate annual appropriations are provided to the AOFM for:

- Agency price of outputs appropriations: representing the Government's purchase of outputs.

- Agency capital appropriations: representing a loan for investment in establishment assets.

- Administered expense appropriations: for the estimated administered expenses relating to debt management outcome.

- Administered capital appropriations: representing a loan for investment in specialist debt management hardware and software.

Special appropriations continue under the accrual appropriation framework, and fund the majority of payments from the consolidated revenue fund.

Cash Transfers to Official Public Account (OPA)

Administered receipts of the AOFM such as proceeds from debt raising, swap interest receipts, swap principal receipts and interest on housing agreements are passed to the Commonwealth's Official Public Account (OPA). These transfers are shown in the Administered Operating Statement as 'Cash transfers to OPA', which is a 'below Operating Result line' expense.

Budget Statement of Revenues and Expenses

Agency

Appropriations

Price of outputs appropriation estimates are not based on market price indicators. Currently, the agreed price of outputs appropriation estimates are based on budgeted expenses.

The AOFM has prepared its estimates for the 2000-01 budget and forward years to achieve a break-even operating result. Consequently the appropriation revenue from Government represents the funding required to meet all expenses after deduction of revenue from other sources.

Revenues from Other Sources — Other Revenue from Other Sources

As part of the agency banking incentive scheme, the AOFM has estimated that it will earn 5 per cent interest on credit balances in its agency account and from term deposit investments.

Expenses

The total expenses of the AOFM have been estimated by aggregating the direct divisional funding of the former Debt Management Office (within the Department of the Treasury) with the budget measure for the establishment of the AOFM in the 1999-2000 Treasury Portfolio Budget Statements. An approximate doubling of the staffing of the present debt management operation is envisaged.

Administered

Non-Taxation Operating Revenues — Interest

	Revised Budget 1999-00 $'000	Estimated 2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000
Interest on housing agreements	175,153	172,262	169,249	166,110	162,852
Interest on state and territory debt	153,045	74,943	38,225	31,799	26,209
Interest from other sources	2,231,492	2,726,060	3,515,545	4,901,515	6,337,658
Total interest	2,559,690	2,973,265	3,723,019	5,099,424	6,526,719

Interest from other sources includes interest from swaps and investments.

Abnormal/Extraordinary Revenue

During the 1999-2000 financial year, as part of privatisation initiatives, the Commonwealth assumed debt of the Australian National Railways Commission of $119.0 million. This debt is administered by the AOFM.

As from 1 July 1999, with the introduction of the accrual financial framework and the abolition of funds accounting, the Loans Consolidation and Investment Reserve (a trust account within the Reserved Money Fund) and the Loan Fund were abolished. This has resulted in the assumption, by DoFA of a liability of $2,730 million from the AOFM for Internal Treasury Bills issued by the Loan Fund to Commonwealth Agencies on 30 June 1999.

Operating Expenses — Grants

	Revised Budget 1999-00 $'000	Estimated 2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000
Grants to State and Territory Governments	64,636	56,644	45,556	29,916	35,337
Total grants	64,636	56,644	45,556	29,916	35,337

Operating Expenses — Interest and Other Financing Costs

	Revised Budget	Estimated			
	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000
Interest on Government securities	6,389,455	6,027,955	5,479,990	5,528,000	5,338,000
Interest on swaps	1,815,749	2,357,339	2,454,526	2,583,955	2,569,324
Interest on other debt	18,545	11,045	6,010	-	-
Net repurchase premia	64,000	221,000	-	-	-
Other financing costs	2,717	5,142	4,013	3,913	3,913
Total interest and other costs	8,290,466	8,622,481	7,944,539	8,115,868	7,911,237

Budget Statement of Assets and Liabilities

Agency

The employee liabilities of the AOFM are expected to increase from the levels at 30 June 2000. The increased liability recognises that staff numbers are expected to grow significantly during the 2000-01 budget year and that a proportion of staff will be transferring liabilities from other Commonwealth agencies.

The estimated cash holding of $3.2 million as at 30 June 2000 results from delays in the appointment of the Chief Executive of the AOFM and consequently, the full establishment of the new specialist debt management agency. The increase in estimated cash holdings from 30 June 2000 recognises that the AOFM will need to hold certain revenue in reserve in order to:

- settle employee liabilities as they fall due;
- make asset replacements; and
- repay loans.

A loan of $0.7 million is expected to be drawn on during the 2000-01 budget year to fund the acquisition of fit-out. The loan is expected to be repaid over a 10 year period.

Administered

Debt Liabilities — Loans

Loans represent the book value of Government securities liability net of investments, with exception to 1999-2000, where they are reported separately.

Debt Liabilities — Other Debt

	Revised Budget	Estimated			
	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000
Swaps principal	1,922,614	1,755,346	1,232,127	957,264	549,279
Total other debt	1,922,614	1,755,346	1,232,127	957,264	549,279

Provisions and Payables — Other

	Revised Budget	Estimated			
	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000
Interest payable	2,280,137	2,211,504	2,190,952	2,190,535	2,248,189
Total other provisions and payables	2,280,137	2,211,504	2,190,952	2,190,535	2,248,189

Financial Assets — Receivables

	Revised Budget	Estimated			
	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000
Loans to State and Territory Governments	5,075,313	4,517,978	4,292,805	4,181,020	3,804,201
Appropriations receivable	2,766,281	2,835,202	2,835,305	2,856,299	2,886,099
Swap principal	24,012	24,012	24,012	24,012	-
Total receivables	7,865,606	7,377,192	7,152,122	7,061,331	6,690,300

Appendix 1

Non-appropriation Agency and Administered Revenue

	Estimated 1999-00 $'000	Estimated 2000-01 $'000
Agency revenue		
Agency Section 31 receipts	42	162
Total non-appropriation agency revenue	42	162
Appropriation revenue	5,535	5,706
Total agency revenue	5,577	5,868
Administered revenue		
Advances to the Australian Capital Territory — interest	2,484	823
Advances to the States under the Housing Agreements — interest	101,814	99,615
Advances to the Northern Territory for housing — interest	1,574	1,555
Advances to the States under the *Housing Assistance Act 1973* — interest	151	148
Advances to the States under the *States (Works and Housing Assistance) Acts* — interest	71,185	70,545
Advances to the States under the *War Service Lands Settlements Acts* — interest	429	399
Interest paid by States and the Northern Territory on other loans	150,561	74,120
Interest on financial assets	288,000	378,000
Loan management expenses — recoveries from the States and the Northern Territory	38	25
Loans Securities Amendment Act 1998 (swaps) — interest	1,943,492	2,348,060
Other	828	831
Total non-appropriation administered revenue	2,560,556	2,974,121
Appropriation revenue	55,047,411	60,907,476
Total administered revenue	57,607,967	63,881,597

Appendix 2

Estimates of Administered Expenses from Appropriation Bills No. 1 and No. 2

	Revised Budget 1999-00 $'000	Budget 2000-01 $'000
Appropriation Bill No. 1		
Loan management expenses	2,033	4,419
Overseas bond issues — lapsed coupons	10	10
Australian National Railways Commission — (a) interest	-	-
Total Appropriation Bill No. 1	2,043	4,429
Appropriation Bill No. 2		
Australian National Railways Commission — principal (a)	-	-
Establishment of the Australian Office of Financial Management — capital	-	-
Total Appropriation Bill No. 2	-	-
Total Appropriation Bill No. 1 and No. 2	2,043	4,429

Estimates of Administered Expenses from Special Appropriations

	Revised Budget 1999-00 $'000	Budget 2000-01 $'000
Airports (Transitional) Act 1996 — former debts of the Federal Airports Corporation — interest	45,420	37,550
Commonwealth Inscribed Stock Act 1911, Loans Securities Act 1919, Loans Redemption and Conversion Act 1921	6,272,564	6,068,125
Loans Securities Amendment Act 1988 (Swaps) — interest	1,815,749	2,357,339
Financial Agreement Act 1994 — assistance for debt redemption	59,626	53,400
Loans Redemption and Conversion Act 1921	5	5
Loans Securities Amendment Act 1988 (Swaps) — principal	800,237	-
Moomba — Sydney Pipeline System Sale Act 1994	1	-
Financial Agreement Act 1994 — Commonwealth contribution to Debt Retirement Reserve Trust Account on State and Northern Territory debt	5,010	3,244
Financial Agreement Act 1994 — interest on Debt Retirement Reserve Trust Account Balances	829	829
Commonwealth Inscribed Stock Act 1911, Treasury Bills Act 1914 — payment of special bond premiums on redemption	5	5
Qantas Sale Act 1992 — Qantas debt servicing	2,120	920
Australian National Railways Commission Act 1983 — debt servicing	16,545	10,426
Other		
Loans Redemption and Conversion Act 1921	71,450	-77,740
Loan flotation expenses	563	422
Loans Redemption and Conversion Act 1921 — net repurchase premia	64,000	221,000
Total estimated expenses – special appropriation	9,154,124	8,675,525

Appendix 3

Assumption of Assets and Liabilities on Establishment of the AOFM

On establishment of the AOFM on 1 July 1999 the following assets and liabilities were assumed from the Department of the Treasury.

Assumption of assets and liabilities on 1 July 1999

	Agency	Administered
	1 July 1999 $'000	1 July 1999 $'000
Debt		
Government securities	-	89,053,502
Other debt — swaps	-	1,396,333
Total debt	-	90,449,835
Provisions and payables		
Employees	342	-
Other — interest	-	2,798,893
Total provisions and payables	342	2,798,893
Total liabilities	342	93,248,728
Equity		
Accumulated results	-202	-84,097,352
Total equity	-202	-84,097,352
Total liabilities and equity	140	9,151,376
Financial assets		
Receivables	-	8,988,595
Accrued revenue	-	162,781
Total financial assets	-	9,151,376
Non-financial assets		
Infrastructure, plant and equipment	140	-
Total non-financial assets	140	-
Total assets	140	9,151,376