AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Overview, variations and measures

OVERVIEW

There has been no change to the overview included in the 2001-02 Portfolio Budget Statements (page 91).

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

MEASURES

The Australian Office of Financial Management (AOFM) has no additional measures since the 2001-02 Portfolio Budget Statements.

OTHER VARIATIONS TO APPROPRIATIONS

The AOFM is seeking additional price of outputs funding of $0.209 million for the capital use charge, depreciation and to reflect an increase in parameters.

The AOFM will be returning an administered saving of $3.487 million. The saving is a result of a capital appropriation of $3.4 million in the 2001-02 Budget and depreciation funding of $0.087 million, which are no longer required.

Map 2: Australian Office of Financial Management Outcomes and Output Groups

Australian Office of Financial Management

Chief Executive Officer: Michael Allen

Overall 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: $6.0 million (+ $0.2 million)
Total administered expenses: $7,318.3 million (+ $141.3 million)

Output Group 1.1

Australian Office of Financial Management

Output 1.1.1

Debt management

Total price of outputs: $6.0 million (+ $0.2 million)
Total administered expenses: $7,318.3 million (+ $141.3 million)

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.2: Appropriation Bill (No. 3) 2001-02

	2000-01 available $'000	2001-02 budget $'000	2001-02 revised $'000	Additional estimates $'000	Reduced estimates $'000
ADMINISTERED ITEMS					
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	4,429	4,082	3,995	-	87
Total	4,429	4,082	3,995	-	87
AGENCY OUTPUTS					
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	5,822	6,031	209	-
Total	5,706	5,822	6,031	209	-
TOTAL	10,135	9,904	10,026	209	87

Table 1.3: Appropriation Bill (No. 4) 2001-02

	2000-01 available $'000	2001-02 budget $'000	2001-02 revised $'000	Additional estimates $'000	Reduced estimates $'000
Administered capital and loans					
Administered capital	-	3,400	-	-	3,400
Total	-	3,400	-	-	3,400

SUMMARY OF STAFFING CHANGES

Table 1.4: Average staffing level (ASL)

	2001-02 Budget	2001-02 Revised	Variation
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	40	40	-
Total	40	40	-

SUMMARY OF AGENCY SAVINGS

S	Savings from annual appropriations	$0.087 million
T	Transfer appropriation monies across outcomes	-
C	Carryover of funds to future years	-
A	Savings from capital appropriations	$3.400 million
Total agency savings		$3.487 million

The saving of $3.4 million represents the return of capital appropriation in the 2001-02 Budget that is no longer required.

The saving of $0.087 million represents a return of depreciation funding for administered assets which will no longer be purchased.

Section 2: Revisions to outcomes and outputs

OUTCOMES AND OUTPUT GROUPS

The AOFM has not made any changes to its outcome or output structure since the 2001-02 Portfolio Budget Statements.

Revised performance information and level of achievement — 2001-02

The performance information for Outcome 1 is unchanged from the 2001-02 Portfolio Budget Statements (page 96).

Section 3: Budgeted Financial Statements

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

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

Agency 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.

Agency non-financial assets — summary of movement

This statement shows the budgeted movement in the AOFM's non-financial assets for the 2001-02 budget year.

Table 3.1: Budgeted agency statement of financial performance
for the period ended 30 June 2002

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
Revenue from ordinary activities					
Revenue from government	5,706	6,031	6,581	6,563	6,563
Sale of goods and services	14	-	-	-	-
Interest	112	20	20	20	20
Other	139	-	-	-	-
Total revenue from ordinary activities	5,971	6,051	6,601	6,583	6,583
Expenses from ordinary activities					
Employees	2,336	4,021	3,972	3,956	3,955
Suppliers	1,639	1,463	1,662	1,660	1,661
Depreciation and amortisation	82	197	597	597	597
Total expenses from ordinary activities	4,057	5,681	6,231	6,213	6,213
Net surplus or deficit from ordinary activities	1,914	370	370	370	370
Capital use charge	402	370	370	370	370
Net surplus or deficit after capital use charge	1,512	-	-	-	-

Table 3.2: Budgeted agency statement of financial position
as at 30 June 2002

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
ASSETS					
Financial assets					
Cash	875	1,210	2,037	2,827	3,617
Investments	2,000	2,000	2,000	2,000	2,000
Accrued revenues	7	7	7	7	7
Total financial assets	2,882	3,217	4,044	4,834	5,624
Non-financial assets					
Infrastucture, plant and equipment	1,304	1,194	1,084	974	864
Intangibles	45	3,358	2,871	2,384	1,897
Other	29	29	29	29	29
Total non-financial assets	1,378	4,581	3,984	3,387	2,790
Total assets	4,260	7,798	8,028	8,221	8,414
LIABILITIES					
Provisions and payables					
Employees	1,074	1,292	1,522	1,715	1,908
Suppliers	231	151	151	151	151
Total provisions and payables	1,305	1,443	1,673	1,866	2,059
Total liabilities	1,305	1,443	1,673	1,866	2,059
EQUITY					
Capital	-	3,400	3,400	3,400	3,400
Accumulated surpluses	2,955	2,955	2,955	2,955	2,955
Total equity	2,955	6,355	6,355	6,355	6,355
Current liabilities	302	152	267	363	459
Non-current liabilities	1,003	1,291	1,406	1,504	1,600
Current assets	2,911	3,246	4,073	4,863	5,653
Non-current assets	1,349	4,552	3,955	3,358	2,761

Table 3.3: Budgeted agency statement of cash flows
for the period ended 30 June 2002

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	5,706	6,031	6,581	6,563	6,563
Sale of goods and services	14	-	-	-	-
Interest	117	20	20	20	20
Total cash received	5,837	6,051	6,601	6,583	6,583
Cash used					
Employees	1,811	3,803	3,742	3,762	3,762
Suppliers	1,413	1,462	1,662	1,661	1,661
Other	1,149	-	-	-	-
Total cash used	4,373	5,265	5,404	5,423	5,423
Net cash from operating activities	1,464	786	1,197	1,160	1,160
INVESTING ACTIVITIES					
Cash received					
Other - Equity injection	-	3,400	-	-	-
Total cash received	-	3,400	-	-	-
Cash used					
Purchase of property, plant and equipment	1,423	3,400	-	-	-
Other	1,250	-	-	-	-
Total cash used	2,673	3,400	-	-	-
Net cash from investing activities	(2,673)	-	-	-	-
FINANCING ACTIVITIES					
Cash used					
Capital use and dividends paid	260	451	370	370	370
Total cash used	260	451	370	370	370
Net cash from financing activities	(260)	(451)	(370)	(370)	(370)
Net increase (decrease) in cash held	(1,469)	335	827	790	790
Cash at the beginning of the reporting period	2,344	875	1,210	2,037	2,827
Cash at the end of the reporting period	875	1,210	2,037	2,827	3,617

Table 3.4: Agency capital budget statement

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
CAPITAL APPROPRIATIONS					
Total equity injections	3,400	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	3,400	-	-	-
Total	-	3,400	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	3,400	-	-	-
Funded internally by					
Departmental resources	1,423	-	-	-	-

Table 3.5: Agency non-financial assets — summary of movement (Budget year 2001-02)

	Land	Buildings	Total Land and Buidings	Specialist Military Equipment	Other Infrastructure Plant and Equipment	Total Infrastructure Plant and Equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS VALUE								
As at 1 July 2001 (opening)	-	-	-	-	1,394	1,394	503	1,897
Additions	-	-	-	-	-	-	3,400	3,400
Disposals	-	-	-	-	-	-	-	-
As at 30 June 2002 (closing)	-	-	-	-	1,394	1,394	3,903	5,297
ACCUMULATED DEPRECIATION								
As at 1 July 2001 (opening)	-	-	-	-	90	90	458	548
Disposals	-	-	-	-	-	-	-	-
Charge for the reporting period	-	-	-	-	110	110	87	197
As at 30 June 2002 (closing)	-	-	-	-	200	200	545	745
Net book value								
As at 30 June 2002								
(closing book value)	-	-	-	-	1,194	1,194	3,358	4,552
Net book value								
As at 1 July 2001								
(opening book value)	-	-	-	-	1,304	1,304	45	1,349
TOTAL ADDITIONS								
Self funded	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	3,400	3,400
Total	-	-	-	-	-	-	3,400	3,400

Table 3.6: Note of budgeted administered financial performance
for the period ended 30 June 2002

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
REVENUES					
Non-taxation					
Interest	3,137,447	3,211,750	3,263,163	3,183,423	3,549,791
Other sources of non-taxation revenue	49	851	847	849	849
Total non-taxation	3,137,496	3,212,601	3,264,010	3,184,272	3,550,640
Total revenues administered on behalf of the Government	3,137,496	3,212,601	3,264,010	3,184,272	3,550,640
EXPENSES					
Grants	56,674	36,318	31,300	36,704	54,330
Net foreign exchange losses	1,924,157	69,232	-	-	-
Interest and financing costs	8,581,345	7,211,882	6,633,895	6,015,152	5,605,077
Other	613	829	829	829	829
Total expenses administered on behalf of the Government	10,562,789	7,318,261	6,666,024	6,052,685	5,660,236

Table 3.7: Note of budgeted administered financial position *as at 30 June 2002*

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
ASSETS					
Financial assets					
Cash	53	53	53	53	53
Receivables	4,549,576	4,325,593	4,213,808	3,802,989	3,644,671
Investments	13,400,000	-	-	-	-
Accrued revenues	160,187	233,668	211,112	191,486	193,187
Total financial assets	18,109,816	4,559,314	4,424,973	3,994,528	3,837,911
Total assets administered on behalf of the Government	18,109,816	4,559,314	4,424,973	3,994,528	3,837,911
LIABILITIES					
Debt					
Loans - Commonwealth Securities	67,384,019	51,462,334	51,153,125	38,517,813	23,398,435
Other - swap principal	3,794,529	2,838,000	2,203,000	1,266,000	1,035,000
Total debt	71,178,548	54,300,334	53,356,125	39,783,813	24,433,435
Provisions and payables					
Suppliers	3	-	-	-	-
Other - interest	2,842,979	2,961,084	3,128,094	3,075,574	3,129,264
Total provisions and payables	2,842,982	2,961,084	3,128,094	3,075,574	3,129,264
Total liabilities administered on behalf of the Government	74,021,530	57,261,418	56,484,219	42,859,387	27,562,699

Table 3.8: Note of budgeted administered cash flows
for the period ended 30 June 2002

	Actual 2000-01 $'000	Revised budget 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	6,833,782	7,024,760	6,502,185	6,135,376	5,601,717
Interest	975,306	3,219,540	3,289,719	3,234,049	3,544,090
Other	64	20	20	20	20
Total cash received	7,809,152	10,244,320	9,791,924	9,369,445	9,145,827
Cash used					
Grants	55,079	36,318	31,300	36,704	54,330
Interest	6,757,481	6,988,442	6,470,885	6,098,672	5,547,387
Cash to Official Public Account	996,885	3,219,560	3,289,739	3,234,069	3,544,110
Other - GST	1	-	-	-	-
Total cash used	7,809,446	10,244,320	9,791,924	9,369,445	9,145,827
Net cash from operating activities	(294)	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Other - Housing Loan Repayments	82,438	74,675	77,312	79,822	82,209
Total cash received	82,438	74,675	77,312	79,822	82,209
Cash used					
Cash to Official Public Account	82,438	74,675	77,312	79,822	82,209
Total cash used	82,438	74,675	77,312	79,822	82,209
Net cash from investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	16,938,387	25,490,000	39,785,000	37,831,000	37,247,000
Cash from Official Public Account	26,756,701	42,476,747	40,697,563	51,072,315	52,522,701
Other - Swaps	789,746	3,848,000	1,411,000	2,470,000	500,000
Total cash received	44,484,834	71,814,747	81,893,563	91,373,315	90,269,701
Cash used					
Repayments of debt	25,710,211	41,449,747	40,062,563	50,169,315	52,291,701
Cash to Official Public Account	17,728,133	25,490,000	39,785,000	37,831,000	37,247,000
Other - Swaps	1,046,490	4,875,000	2,046,000	3,373,000	731,000
Total cash used	44,484,834	71,814,747	81,893,563	91,373,315	90,269,701
Net cash from financing activities	-	-	-	-	-
Net increase in cash held	(294)	-	-	-	-
Cash at beginning of reporting period	347	53	53	53	53
Cash at end of reporting period	53	53	53	53	53

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The agency budgeted statements are prepared in compliance with Australian Accounting Standards, Accounting Guidance Releases and having regard to Statements of Accounting Concepts. No allowance is made for the effect of changing prices on the results or the financial position of the AOFM.

Administered internal transactions

Administered transactions between the AOFM and other agencies within the general government (administered internal transactions) are not reported in the note of budgeted administered financial performance or the note of budgeted administered financial position.

Cash flows in the note of budgeted administered cash flows are reported inclusive of administered internal transactions.

Goods and Services Tax (GST)

The AOFM is an input taxed entity under *A New Tax System (Goods and Services Tax) Act 1999.*

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 net of recoverable GST amounts.

Agency budgeted financial statements

Revenue and expenses

Appropriations

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

The AOFM has prepared its estimates for the 2001-02 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.

Interest revenue

As part of the agency banking incentive scheme, the AOFM has estimated that it will earn $20,000 interest on credit balances in its agency account and from term deposit investments.

Employee expenses

The AOFM envisages a significant increase in its staffing over the Budget year 2001-02.

Assets and liabilities

The employee liabilities of the AOFM are expected to increase from actuals as at 30 June 2001. The increased liability recognises that staff numbers are expected to grow significantly during the Budget year 2001-02.

The estimated cash reserves will be maintained in order to ensure that the AOFM is well placed to:

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

Budgeted financial statements have been prepared on the assumption that unspent monies will not be withdrawn by the Department of Finance and Administration.

Administered notes of budgeted financial statements

Revenue and expenses

Non-Taxation Revenue — Interest

	Actual		Estimated		
	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000	2004-05 $'000
Interest on housing agreements	172,262	169,249	166,109	162,853	159,477
Interest on state and territory debt	52,479	37,558	31,944	20,070	11,284
Interest from other sources	2,912,706	3,004,943	3,065,110	3,000,500	3,379,030
Total interest	3,137,447	3,211,750	3,263,163	3,183,423	3,549,791

Interest from other sources includes interest from swaps and investments.

Expenses — Grants

	Actual		Estimated		
	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000	2004-05 $'000
Grants to State and Territory Governments	56,674	36,318	31,300	36,704	54,330
Total grants	56,674	36,318	31,300	36,704	54,330

Expenses — Interest and Financing Costs

	Actual		Estimated		
	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000	2004-05 $'000
Interest on Government securities	5,791,445	5,082,826	4,802,731	4,250,678	3,893,683
Interest on swaps	2,431,258	1,930,100	1,826,000	1,699,000	1,652,000
Interest on other debt	42,862	7,889	1,960	62,270	56,190
Net repurchase premia	314,332	186,560	-	-	-
Other financing costs	1,448	4,507	3,204	3,204	3,204
Total interest and financing	8,581,345	7,211,882	6,633,895	6,015,152	5,605,077

Assets and liabilities

Debt Liabilities — Loans

Loans represent the book value of Government securities on issue, net of investments, with exception to 2000-01, where they are reported separately.

Financial Assets — Receivables

	Actual		Estimated		
	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000	2004-05 $'000
Loans to State and Territory Governments	4,516,765	4,291,593	4,179,808	3,802,989	3,644,671
Swap principal	32,761	34,000	34,000	-	-
Other	50	-	-	-	-
Total receivables	4,549,576	4,325,593	4,213,808	3,802,989	3,644,671

Appendices 1 and 2

Appendix 1

Agency and administered revenue

	Budget estimate 2001-02 $'000	Revised estimate 2001-02 $'000
Agency revenue		
AOFM section 31 receipts	20	20
Total non-appropriation agency revenue	20	20
Appropriations	5,822	6,031
Total agency revenue	5,842	6,051
Administered revenue		
Advances to the Australian Capital Territory - interest	-	-
Advances to the States under the Housing Agreements - interest	97,324	97,324
Advances to the Northern Territory for housing - interest	1,536	1,536
Advances to the States under the *Housing Assistance Act 1973* - interest	144	144
Advances to the States under *States (Works and Housing Assistance) Acts* - interest	69,877	69,877
Advances to the States under the *War Service Lands Settlements Acts* - interest	368	368
Interest paid by States and the Northern Territory on other loans	37,558	37,558
Interest on financial assets	527,040	453,710
Loan management expenses - recoveries from the States and Northern Territory	20	20
Loan Securities Amendment Act 1988 (Swaps) - interest	2,417,714	2,551,233
Other	831	831
Total non-appropriation administered revenue	3,152,412	3,212,601

Appendix 2

Estimates of expenses from administered appropriations

	Budget estimate 2001-02 $'000	Revised estimate 2001-02 $'000
ESTIMATED EXPENSES		
Appropriation Bill No. 1		
Loan management expenses	4,072	3,985
Overseas bond issues - lapsed coupons	10	10
Total Appropriation Bill No. 1	4,082	3,995
Special Appropriations		
Airports (Transitional) Act 1996		
- former debts Federal Airports Commission - interest	36,787	24,860
Commonwealth Inscribed Stock Act 1911, Loans and Securities Act 1911, Loans Securities Act 1919, Loans Redemption and Conversion Act 1921	5,038,049	5,045,755
Loan Securities Amendment Act 1988 (Swaps)		
- interest	2,040,335	1,930,100
Financial Agreement Act 1994 - assistance for debt redemption	34,400	34,400
Loan Secrutitries Amendment Act 1988 (Swaps)		
- principal	-	69,232
Financial Agreement Act 1994		
- Commonwealth contribution to the debt retirement reserve trust account on State and Northern Territory debt	1,918	1,918
Financial Agreement Act 1994		
- interest on debt retirement reserve trust account balances	829	829
Qantas Sale Act 1992 - Qantas debt servicing	-	-
Australian National Railways Commission Act 1983		
- debt servicing	18,200	18,230
Snowy Hydro Corporatisation Act 1997		
- debt servicing	2,000	1,960
Loan flotation expenses	422	422
Loans Redemption and Conversion Act 1921		
- net repurchase premia	-	186,560
Total special appropriations	7,172,940	7,314,266
Total estimated expenses	7,177,022	7,318,261