AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The Australian Office of Financial Management (AOFM), a 'prescribed agency' under the *Financial Management and Accountability Act 1997*, is responsible for the Commonwealth's debt management activities.

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 appropriation for the AOFM in the 2001–02 Budget is $42,860.8 million. Table 1.1 on the following page shows the total appropriations for the AOFM's outcome.

Price of output appropriation of $5.82 million is based on budgeted expenses (of $5.84 million) after deducting estimated revenues from external sources (of $0.02 million).

The total administered outcome appropriation of $42,855.0 million is based on budgeted expenses of $7,177.0 million, budgeted debt raising and financial investment activity of $35,674.6 million and administered capital appropriation of $3.4 million.

Australian Office of Financial Management — appropriations 2001-02

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) ($'000)					Administered ($'000)				
	Revenue from Government (appropriations)			Revenue from other sources[4]	Price of outputs[3]	Annual appropriations[5] ($'000)		Special approps[5]	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2 (SPPs & NAOs)[2]			
	(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			(C1)[1]		(E1)[1]				(I1)[1]	
	5,822	-	5,822	20	5,842	4,082	-	42,847,524	42,851,606	42,857,428
			* 99.7%	0.3%	100.0%					
Total	5,822	-	(K1)[1] 5,822	20	5,842	4,082	-	42,847,524	(K2)[1] 42,851,606	42,857,428
								Agency capital (equity injections and loans)		-
								Administered capital	(K4)[1]	3,400
								Total appropriations		42,860,828

(1) C1, E1 and I1 refer to information provided in Table 2.1. K1 refers to information provided in Table 3.1. K2 refers to information provided in Table 3.6. K4 refers to information provided in Table 3.9.
(2) Bill No. 2 includes Specific Purpose Payments (SPP's), New Agency Outcomes (NAO's), administered capital and agency capital via agency injections and loans.
(3) Refer to Table 3.1 for application of agency revenue.
(4) Revenue from other sources includes other revenue from government (for example, resources free of charge) and revenue from other sources (for example, sales of goods and services by agencies). Non-appropriated agency and administered revenues are shown in Appendix 1.
(5) Estimated expenses from administered annual and special appropriations are shown in Appendix 2.
* Percentage figures indicate the percentage contribution of revenue from government (agency appropriations) to the total price of outputs, by outcome.

ADMINISTERED CAPITAL AND AGENCY EQUITY INJECTIONS AND LOANS

The AOFM will receive administered capital of $3.4 million for new specialist debt management hardware and software. This appropriation has been carried over from the previous financial year.

Section 2: Outcomes and outputs information

The map below shows the relationship between Government outcomes and the contributing outputs for the Australian Office of Financial Management (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.

Chart 6: 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: $5.8 million
Total administered expenses: $7,177.0 million

Output Group 1.1

Australian Office of Financial Management

Output 1.1.1

Debt management

Total price of outputs: $5.8 million
Total administered expenses: $7,177.0 million

CHANGES TO OUTCOMES AND OUTPUTS

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

OUTCOME 1 — DESCRIPTION

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 affecting Outcome 1

There are no Budget measures for 2001-02.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2001-02 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriation), revenue from other sources and total price of outputs.

Table 2.1: Total resources for Outcome 1

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000
Administered appropriations		
Annual appropriations	1,978	4,082
Special appropriations	46,978,650	42,847,524
Total administered appropriations	46,980,628	(I1)[1] 42,851,606
Agency appropriations		
Output Group 1.1 Australian Office of Financial Management		
Output 1.1.1 Debt management	5,706	5,822
Total revenue from government (appropriations)	5,706	(C1)[1] 5,822
Contributing to price of agency outputs	98.2%	99.7%
Revenue from other sources		
Output Group 1.1 Australian Office of Financial Management		
Output 1.1.1 Debt management	107	20
Total revenue from other sources	107	20
Total price from agency outputs		
(Total revenue from government and from other sources)	5,813	(E1)[1] 5,842
Administered capital	-	3,400
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	46,986,441	42,860,848

	2000-01	2001-02
Average staffing level (number)	26	40

(1) C1, E1 and I1 — see Table 1.1.

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 programmes directed at maintaining the liquidity and efficiency of Commonwealth Government securities markets while maintaining net debt within agreed portfolio limits. Integral to the continuing efficient management of its funding risk, the AOFM's specific objective for its major debt instrument, Treasury 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.

Table 2.2: Performance information for Outcome 1

Effectiveness — Overall achievement of the outcome	
Debt issued by the Commonwealth (including Commonwealth Government Securities 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 — Australian Office of Financial Management	
Output 1.1.1 — 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 Department of the Treasury provides a range of corporate services functions to the AOFM. Consequently, the AOFM is participating in the corporate services market testing initiative currently conducted by the Department of the Treasury.

Section 3: Budgeted financial statements

Budgeted agency and administered financial statements and related notes for the Australian Office of Financial Management (AOFM), are presented in this section. The financial statements are produced for 2000-01 (estimated actual results), 2001-02 (Budget estimate) and three forward years and comprise the following statements. The financial statements should be read in conjunction with the accompanying notes.

AGENCY 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, categorised 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 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 during the Budget year 2001-02.

ADMINISTERED NOTES

Details of transactions administered by the agency on behalf of the Commonwealth are to be shown in the following notes to the financial statements.

Note of budgeted administered financial performance

This note identifies the main revenues and expenses administered on behalf of the Government.

Note of budgeted administered financial position

This note shows the assets and liabilities administered on behalf of the Government.

Note of budgeted administered cash flows

This note shows cash flows administered on behalf of the Government.

Note of administered capital budget

This note shows details of planned administered capital expenditure.

Note of administered non-financial assets — summary of movement

This note discloses details of budgeted movements in administered non-financial assets during the Budget year 2001-02.

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

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
Revenues from ordinary activities		(K1)(1)			
Revenue from government	5,706	5,822	5,931	5,913	5,913
Sale of goods and services	7	-	-	-	-
Interest	100	20	20	20	20
Total revenues from ordinary activities	5,813	5,842	5,951	5,933	5,933
Expenses from ordinary activities (excluding borrowing cost expense)					
Employees	2,171	4,009	3,931	3,915	3,914
Suppliers	2,349	1,458	1,645	1,643	1,644
Depreciation and amortisation	50	110	110	110	110
Total expenses from ordinary activities (excluding borrowing cost expense)	4,570	5,577	5,686	5,668	5,668
Borrowing cost expense	-	-	-	-	-
Net surplus or deficit from ordinary activities	1,243	265	265	265	265
Gain or loss on extraordinary items	-	-	-	-	-
Net surplus or deficit	1,243	265	265	265	265
Capital use charge	289	265	265	265	265
Net surplus or deficit after capital use charge	954	-	-	-	-

(1) K1 — see Table 1.1.

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

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
ASSETS					
Financial assets					
Cash	1,910	2,239	2,579	2,882	3,185
Accrued revenues	12	12	12	12	12
Total financial assets	1,922	2,251	2,591	2,894	3,197
Non-financial assets					
Infrastructure, plant and equipment	1,350	1,240	1,130	1,020	910
Total non-financial assets	1,350	1,240	1,130	1,020	910
Total assets	3,272	3,491	3,721	3,914	4,107
LIABILITIES					
Provisions and payables					
Employees	638	856	1,086	1,280	1,473
Suppliers	237	238	238	237	237
Total provisions and payables	875	1,094	1,324	1,517	1,710
Total liabilities	875	1,094	1,324	1,517	1,710
EQUITY					
Accumulated surpluses or deficits	2,397	2,397	2,397	2,397	2,397
Total equity	2,397	2,397	2,397	2,397	2,397
Total liabilities and equity	3,272	3,491	3,721	3,914	4,107
Current liabilities	96	193	163	192	221
Non-current liabilities	779	901	1,161	1,325	1,489
Current assets	1,922	2,251	2,591	2,894	3,197
Non-current assets	1,350	1,240	1,130	1,020	910

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

	Estimated actual 2000-01 $'000	Budget estimate 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	5,822	5,931	5,913	5,913
Sale of goods and services	7	-	-	-	-
Interest	100	20	20	20	20
Total cash received	5,813	5,842	5,951	5,933	5,933
Cash used					
Employees	2,081	3,791	3,701	3,721	3,721
Suppliers	2,148	1,457	1,645	1,644	1,644
Total cash used	4,229	5,248	5,346	5,365	5,365
Net cash from operating activities	1,584	594	605	568	568
INVESTING ACTIVITIES					
Cash received					
Other	750	-	-	-	-
Total cash received	750	-	-	-	-
Cash used					
Purchase of property, plant and equipment	1,392	-	-	-	-
Total cash used	1,392	-	-	-	-
Net cash from investing activities	-642	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Other	63	-	-	-	-
Total cash received	63	-	-	-	-
Cash used					
Repayment of debt	-	-	-	-	-
Capital use and dividends paid	1,439	265	265	265	265
Total cash used	1,439	265	265	265	265
Net cash from financing activities	-1,376	-265	-265	-265	-265
Net decrease in cash held	-434	329	340	303	303
Cash at beginning of reporting period	2,344	1,910	2,239	2,579	2,882
Cash at end of reporting period	1,910	2,239	2,579	2,882	3,185

Table 3.4: Agency capital budget statement

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
Purchase of non-current assets					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	1,392	-	-	-	-
Total	1,392	-	-	-	-

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

	Land	Buildings	Total land and buildings	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)	-	-	-	-	1,409	1,409	458	1,867
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30 June 2002 (closing)	-	-	-	-	1,409	1,409	458	1,867
ACCUMULATED DEPRECIATION								
As at 1 July 2001 (opening)	-	-	-	-	59	59	458	517
Disposals	-	-	-	-	-	-	-	-
Charge for the reporting period	-	-	-	-	110	110	-	110
As at 30 June 2002 (closing)	-	-	-	-	169	169	458	627
Net book value As at 30 June 2002 (closing book value)	-	-	-	-	1,240	1,240	-	1,240
Net book value As at 1 July 2001 (opening book value)	-	-	-	-	1,350	1,350	-	1,350
TOTAL ADDITIONS								
Self funded	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
REVENUES					
Non-taxation		(K2)(1)			
Revenues from Government	46,980,628	42,851,606	48,487,298	64,449,454	65,166,299
Interest	3,020,665	3,151,561	3,070,082	3,116,331	3,795,984
Other sources of non-taxation revenues	856	851	847	849	849
Total non-taxation	50,002,149	46,004,018	51,558,227	67,566,634	68,963,132
Total revenues administered on behalf of the Government	50,002,149	46,004,018	51,558,227	67,566,634	68,963,132
EXPENSES					
Grants	56,644	36,318	31,300	36,704	54,330
Net foreign exchange losses	1,445,614	-	-	-	-
Interest and other financing costs	8,426,967	7,139,875	6,851,226	6,191,419	5,762,499
Other	829	829	829	829	829
Total expenses administered on behalf of the Government	9,930,054	7,177,022	6,883,355	6,228,952	5,817,658
Net contribution or cost to the budget outcome	40,072,095	38,826,996	44,674,872	61,337,682	63,145,474
Transfers to the Official Public Account					
Amount remitted from administered revenues	22,337,280	33,680,239	44,526,495	43,791,693	41,878,607
Net surplus or deficit	17,734,815	5,146,757	148,377	17,545,989	21,266,867

(1) K2 — see Table 1.1.

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

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
ASSETS					
Financial assets					
Cash	347	347	347	347	347
Receivables	7,837,850	7,637,782	7,630,193	7,160,316	7,076,650
Accrued revenues	133,544	132,122	122,623	129,837	155,787
Total financial assets	7,971,741	7,770,251	7,753,163	7,290,500	7,232,784
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 administered on behalf of the Government	7,971,741	7,773,651	7,756,563	7,293,900	7,236,184
LIABILITIES					
Debt					
Government Securities	56,937,745	52,426,221	52,672,928	35,484,569	14,266,107
Other — swap principal	3,349,897	2,456,483	1,906,358	1,096,138	895,454
Total debt	60,287,642	54,882,704	54,579,286	36,580,707	15,161,561
Provisions and payables					
Other — interest	2,860,640	2,917,331	3,055,284	3,045,211	3,139,774
Total provisions and payables	2,860,640	2,917,331	3,055,284	3,045,211	3,139,774
Total liabilities administered on behalf of the Government	63,148,282	57,800,035	57,634,570	39,625,918	18,301,335
EQUITY					
Capital		3,400	3,400	3,400	3,400
Accumulated surpluses or deficits	-55,176,541	-50,029,784	-49,881,407	-32,335,418	-11,068,551
Total equity	-55,176,541	-50,026,384	-49,878,007	-32,332,018	-11,065,151
Total liabilities and equity	7,971,741	7,773,651	7,756,563	7,293,900	7,236,184

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

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	8,076,417	7,147,627	6,781,155	6,303,815	5,743,610
Interest	3,085,578	3,181,108	3,116,163	3,174,736	3,791,378
Other	25	20	20	20	20
Total cash received	11,162,020	10,328,755	9,897,338	9,478,571	9,535,008
Cash used					
Grants	56,644	36,318	31,300	36,704	54,330
Interest	8,019,773	7,111,309	6,749,855	6,267,111	5,689,280
Cash to Official Public Account	3,085,603	3,181,128	3,116,183	3,174,756	3,791,398
Total cash used	11,162,020	10,328,755	9,897,338	9,478,571	9,535,008
Net cash from operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Cash from Official Public Account	2,312,829	2,752,787	1,960,125	3,245,969	700,684
Other	2,134,012	1,936,111	1,487,312	2,532,937	582,209
Total cash received	4,446,841	4,688,898	3,447,437	5,778,906	1,282,893
Cash used					
Purchase of property, plant and equipment	-	3,400	-	-	-
Cash to Official Public Account	2,134,012	1,936,111	1,487,312	2,532,937	582,209
Other	2,312,829	2,749,387	1,960,125	3,245,969	700,684
Total cash used	4,446,841	4,688,898	3,447,437	5,778,906	1,282,893
Net cash from investing activities	-	-	-	-	-

Table 3.8: Note of budgeted administered cash flows
for the period ended 30 June (continued)

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	17,105,000	28,563,000	39,923,000	38,084,000	37,505,000
Cash from Official Public Account	36,509,493	32,926,026	39,644,647	54,975,362	58,648,786
Other	12,665	-	-	-	-
Total cash received	53,627,158	61,489,026	79,567,647	93,059,362	96,153,786
Cash used					
Repayments of debt	36,509,493	32,926,026	39,644,647	54,975,362	58,648,786
Cash to Official Public Account	17,117,665	28,563,000	39,923,000	38,084,000	37,505,000
Total cash used	53,627,158	61,489,026	79,567,647	93,059,362	96,153,786
Net cash from financing activities	-	-	-	-	-
Net increase in cash held	-	-	-	-	-
Cash at beginning of reporting period	347	347	347	347	347
Cash at end of reporting period	347	347	347	347	347

Table 3.9: Note of administered capital budget

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
Capital appropriations		(K4)[1]			
Administered capital	-	3,400	-	-	-
Total	-	3,400	-	-	-
Represented by:					
Purchase of non-current assets	-	3,400	-	-	-
Other	-	-	-	-	-
Total	-	3,400	-	-	-
Purchase of non-current assets					
Funded by capital appropriations	-	3,400	-	-	-
Funded internally by departmental resources	-	-	-	-	-
Total	-	3,400	-	-	-

(1) K4 — see Table 1.1.

Table 3.10: Note of administered non-financial assets — Summary of movement (Budget year 2001-02)

	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 2001 (opening)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	3,400	3,400
Disposals	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
As at 30 June 2002 (closing)	-	-	-	-	-	3,400	3,400
ACCUMULATED DEPRECIATION							
As at 1 July 2001 (opening)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Charge for the reporting period	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
As at 30 June 2002 (closing)	-	-	-	-	-	-	-
Net book value As at 30 June 2002 (closing book value)	-	-	-	-	-	3,400	3,400
Net book value As at 1 July 2001 (opening book value)	-	-	-	-	-	-	-
TOTAL ADDITIONS							
Self funded	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	3,400	3,400
Total	-	-	-	-	-	3,400	3,400

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention. No allowance is made for the effect of changing prices on the results or the financial position of the AOFM.

Goods and Services Tax (GST)

The budgeted financial statements have been prepared in accordance with the Goods and Services Tax (GST) accounting guidelines of the Urgent Issues Group (UIG) of the Australian Accounting Standards Board. 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 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 revenues, expenses, assets and liabilities are those, which are, managed 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;

- administered expense appropriations: for the estimated administered expenses relating to debt management outcome; and

- administered capital appropriations: representing appropriation for investment in specialist debt management hardware and software.

In addition, special appropriations continue under the accrual appropriation framework, and fund the majority of payments from the consolidated revenue fund, including debt redemption and financial investment activity.

Agency revenues and expenses

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 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.

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 $20,000 interest on credit balances in its agency account and from term deposit investments.

Expenses

The AOFM envisages a further increase of the staffing of the operation over the Budget year 2001-02.

Administered revenues and expenses

Non-taxation operating revenues — interest

	Estimated actual	Estimated			
	2000-01 $'000	2001-02 $'000	2002-03 $'000	2003-04 $'000	2004-05 $'000
Interest					
Interest on housing agreements	172,263	169,249	166,109	162,853	159,477
Interest on state and territory debt	53,042	37,558	31,944	20,070	11,284
Interest from other sources	2,795,360	2,944,754	2,872,029	2,933,408	3,625,223
Total interest	3,020,665	3,151,561	3,070,082	3,116,331	3,795,984

Interest from other sources includes interest from swaps and investments.

Operating expenses — grants

	Estimated actual	Estimated		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$'000	$'000	$'000	$'000	$'000
Grants					
Grants to State and Territory Governments	56,644	36,318	31,300	36,704	54,330
Total grants	56,664	36,318	31,300	36,704	54,330

Operating expenses — interest and other financing costs

	Estimated actual	Estimated			
	2000-01	2001-02	2002-03	2003-04	2004-05
	$'000	$'000	$'000	$'000	$'000
Interest and other costs					
Interest on Government securities	5,613,538	5,036,059	4,837,908	4,372,631	4,000,598
Interest on swaps	2,430,354	2,042,335	1,971,597	1,805,877	1,756,210
Interest on other debt	55,068	56,887	38,030	9,220	2,000
Net repurchase premia	325,316	-	-	-	-
Other financing costs	2,691	4,594	3,691	3,691	3,691
Total interest and other costs	8,426,967	7,139,875	6,851,226	6,191,419	5,762,499

Agency assets and liabilities

The employee liabilities of the AOFM are expected to increase from the estimated 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.

Administered assets and liabilities

Debt – government securities

The Government security debt represents the book value of government securities net of investments.

Financial assets — receivables

	Estimated Actual 2000-01 $'000	2001-02 $'000	Estimated 2002-03 $'000	2003-04 $'000	2004-05 $'000
Receivables					
Loans to State and Territory Governments	4,517,106	4,291,933	4,180,148	3,803,329	3,645,011
Appropriations receivable	3,297,915	3,328,483	3,432,679	3,356,987	3,431,639
Swap principal	22,829	17,366	17,366	–	–
Total receivables	7,837,850	7,637,782	7,630,193	7,160,316	7,076,650

Appendix 1

Agency and administered revenue

	Estimated revenue 2000-01 $'000	Estimated revenue 2001-02 $'000
AGENCY REVENUE		
Non-appropriation agency revenue		
AOFM Section 31 receipts	107	20
Total non-appropriation agency revenue	107	20
Appropriations	5,706	5,822
Total agency revenue	5,813	5,842
ADMINISTERED REVENUE		
Non-appropriation administered revenue		
Advances to the Australian Capital Territory -interest	68	-
Advances to the States under the Housing Agreements - interest	99,616	97,324
Advances to the Northern Territory for housing - interest	1,555	1,536
Advances to the States under the *Housing Assistance Act 1973* - interest	148	144
Advances to the States under *States (Works and Housing Assistance) Acts* - interest	70,545	69,877
Advances to the States under the *War Service Lands Settlements* Acts - interest	399	368
Interest paid by the States and the Northern Territory on other loans	52,974	37,558
Interest on financial assets	438,310	527,040
Loan management expenses - recoveries from the States and the Northern Territory	25	20
Loan Securities Amendment Act 1988 (Swaps) - interest	2,357,050	2,417,714
Other	831	831
Total non-appropriation administered revenue	3,021,521	3,152,412
Appropriations	46,980,628	42,851,606
Total administered revenue	50,002,149	46,004,018

Appendix 2

Estimates of expenses from annual and special appropriations

	Estimated expenses 2000-01 $'000	Estimated expenses 2001-02 $'000
ESTIMATED EXPENSES		
Appropriation Bill No. 1		
Loan management expenses	1,968	4,072
Overseas bond issues - lapsed coupons	10	10
Total Appropriation Bill No. 1	1,978	4,082
Special appropriations		
Airports (Transitional) Act 1996 - former debts Federal Airports Commission - interest	36,787	36,787
Commonwealth Inscribed Stock Act 1911, Loans and Securities Act 1911, Loans Securities Act 1919, Loans Redemption and Conversion Act 1921	5,612,868	5,038,049
Loan Securities Amendment Act 1988 (Swaps) - interest	2,430,354	2,040,335
Financial Agreement Act 1994 - assistance for debt redemption	53,400	34,400
Loans Securities Amendment Act 1988 (Swaps) - principal	1,445,614	-
Financial Agreement Act 1994 - Commonwealth contribution to the debt retirement reserve trust account on state and Northern Territory debt	3,244	1,918
Financial Agreement Act 1994 - interest on debt retirement reserve trust account balances	829	829
Qantas Sale Act 1992 - Qantas debt servicing	660	-
Australian National Railways Commission Act 1983 - debt servicing	16,582	18,200
Snowy Hydro Corporatisation Act 1997 - debt servicing	2,000	2,000
Loan flotation expenses	422	422
Loans Redemption and Conversion Act 1921 - net repurchase premia	325,316	-
Total special appropriations	9,928,076	7,172,940
Total estimated expenses	9,930,054	7,177,022