

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Overview, variations and measures

OVERVIEW

There has been no change to the overview included in the *2002-03 Portfolio Budget Statements* (page 93).

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

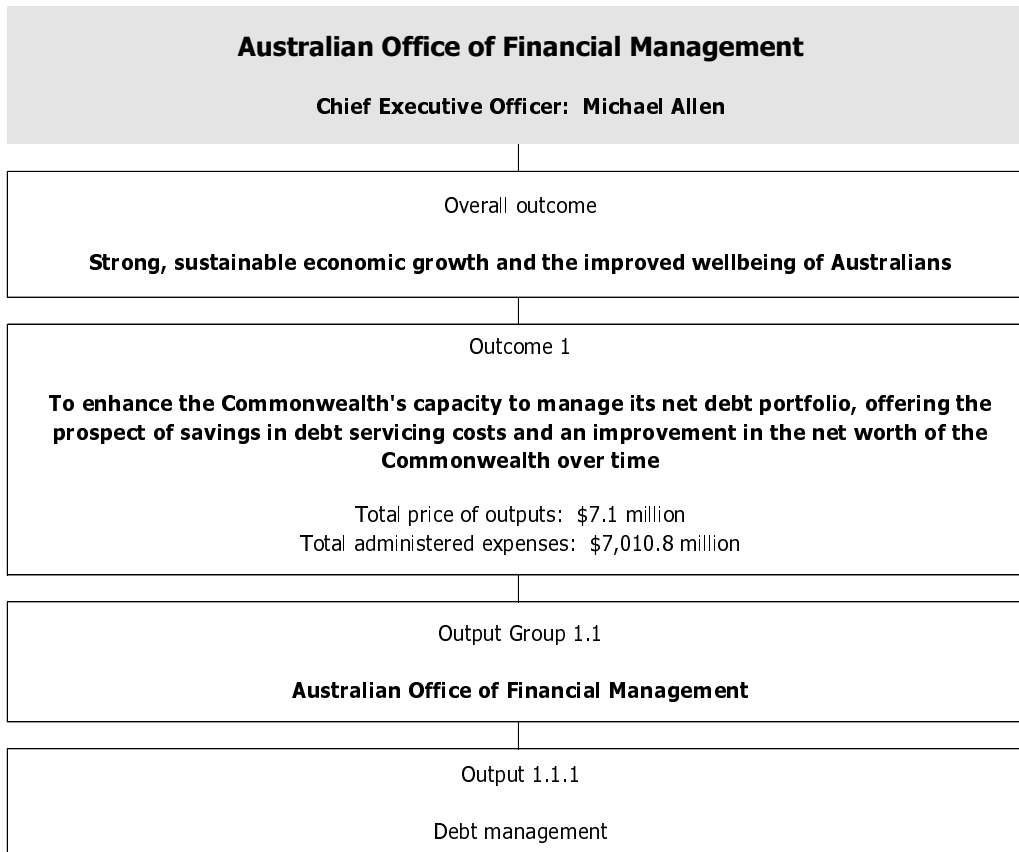
Measures

The Australian Office of Financial Management (AOFM) has no measures since the 2002-03 Budget.

Other variations to appropriations

The AOFM is seeking additional price of outputs funding of \$0.520 million. This relates to the Capital Use Charge of \$0.396 million, depreciation of \$0.118 million and an increase in parameters of \$0.006 million.

Map 2: Outcomes and output groups



BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.2: Appropriation Bill (No. 3) 2002-03

	2001-02 available \$'000	2002-03 budget \$'000	2002-03 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.	3,995	2,792	2,792	-	-
Total	3,995	2,792	2,792	-	-
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.	6,031	6,574	7,094	520	-
Total	6,031	6,574	7,094	520	-
Total administered and agency	10,026	9,366	9,886	520	-

SUMMARY OF STAFFING CHANGES

Table 1.4: Average Staffing Level (ASL)

	2002-03 budget	2002-03 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.	37	37	-
Total	37	37	-

Section 2: Revisions to outcomes and outputs

OUTCOMES AND OUTPUT GROUPS

The Australian Office of Financial Management (AOFM) has not made any changes to its outcome or outputs since the *2002-03 Portfolio Budget Statements*.

Revised performance information and level of achievement — 2002-03

The AOFM has not made any changes to its performance information since the *2002-03 Portfolio Budget Statements*.

Section 3: Budgeted Financial Statements

Budgeted agency statement of financial performance

This statement provides a picture of the expected financial results for the Australian Office of Financial Management (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 amount 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 2002-03 Budget year.

NOTES OF ADMINISTERED ACTIVITY

Details of transactions administered by AOFM on behalf of the Commonwealth are shown in the following notes.

Note of budgeted administered financial performance

This note identifies revenues and expenses administered on behalf of the Government. It also discloses administered revenues from government and transfers to the Public Account.

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.

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

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
Revenues from ordinary activities					
Revenue from government	6,167	7,094	7,087	7,082	7,081
Interest	81	20	20	20	20
Sales of goods and services	52	-	-	-	-
Total revenues from ordinary activities	6,300	7,114	7,107	7,102	7,101
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	2,979	3,921	3,983	3,980	3,980
Suppliers	1,961	1,775	1,706	1,704	1,703
Depreciation and amortisation	258	750	750	750	750
Total expenses from ordinary activities (excluding borrowing costs expense)	5,198	6,446	6,439	6,434	6,433
Net surplus or deficit from ordinary activities	1,102	668	668	668	668
Capital Use Charge	330	668	668	668	668
Net surplus or deficit after Capital Use Charge	772	-	-	-	-

**Table 3.2: Budget agency statement of financial position
(as at 30 June)**

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
ASSETS					
Financial assets					
Cash	494	1,428	2,357	3,287	4,216
Receivables	131	-	-	-	-
Investments	1,500	1,500	1,500	1,500	1,500
Accrued revenues	5	5	5	5	5
Total financial assets	2,130	2,933	3,862	4,792	5,721
Non-financial assets					
Infrastructure, plant and equipment	1,495	1,255	1,005	755	505
Intangibles	45	3,190	2,690	2,190	1,690
Other	737	-	-	-	-
Total non-financial assets	2,277	4,445	3,695	2,945	2,195
Total assets	4,407	7,378	7,557	7,737	7,916
LIABILITIES					
Provisions and payables					
Employees	918	1,053	1,232	1,412	1,591
Suppliers	353	250	250	250	250
Total provisions and payables	1,271	1,303	1,482	1,662	1,841
Total liabilities	1,271	1,303	1,482	1,662	1,841
EQUITY					
Capital	461	3,400	3,400	3,400	3,400
Accumulated surpluses or deficits	2,675	2,675	2,675	2,675	2,675
Total equity	3,136	6,075	6,075	6,075	6,075
Current liabilities	544	454	511	569	626
Non-current liabilities	727	849	971	1,093	1,215
Current assets	2,160	2,933	3,862	4,792	5,721
Non-current assets	2,247	4,445	3,695	2,945	2,195

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

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	6,031	7,094	7,087	7,082	7,081
Interest	84	20	20	20	20
Sales of goods and services	46	8	-	-	-
Total cash received	6,161	7,122	7,107	7,102	7,101
Cash used					
Employees	3,131	3,786	3,804	3,800	3,801
Suppliers	1,768	1,788	1,706	1,704	1,703
Other — GST	28	-	-	-	-
Total cash used	4,927	5,574	5,510	5,504	5,504
Net cash from operating activities	1,234	1,548	1,597	1,598	1,597
INVESTING ACTIVITIES					
Cash received					
Term deposits	500	-	-	-	-
Total cash received	500	-	-	-	-
Cash used					
Purchases of property, plant and equipment and intangibles	1,048	2,949	-	-	-
Total cash used	1,048	2,949	-	-	-
Net cash used by investing activities	(548)	(2,949)	-	-	-
FINANCING ACTIVITIES					
Cash received					
Appropriations — contributed equity	338	3,062	-	-	-
Total cash received	338	3,062	-	-	-
Cash used					
Capital use and dividends paid	1,405	727	668	668	668
Total cash used	1,405	727	668	668	668
Net cash from financing activities	(1,067)	2,335	(668)	(668)	(668)
Net increase (decrease) in cash held	(381)	934	929	930	929
Cash at the beginning of the reporting period	875	494	1,428	2,357	3,287
Cash at the end of the reporting period	494	1,428	2,357	3,287	4,216

Table 3.4: Agency capital budget statement

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by agency resources	1,048	2,949	-	-	-
Total	1,048	2,949	-	-	-

Table 3.5: Agency non-financial assets — summary of movement (Budget year 2002-03)

	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
Carrying amount at the start of year	-	-	-	-	1,495	1,495	45	1,540
Additions	-	-	-	-	10	10	3,645	3,655
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	(250)	(250)	(500)	(750)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	-	1,255	1,255	3,190	4,445
Total additions								
Self funded	-	-	-	-	10	10	3,645	3,655
Appropriations	-	-	-	-	-	-	-	-
Total	-	-	-	-	10	10	3,645	3,655

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

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
REVENUES					
Non-taxation					
Interest	3,047,318	2,715,744	2,211,392	2,096,438	2,165,385
Net foreign exchange gains	1,227,418	-	-	-	-
Other sources of non-taxation revenues	1,426	847	849	849	520
Total non-taxation	4,276,162	2,716,591	2,212,241	2,097,287	2,165,905
Total revenues administered on behalf of government	4,276,162	2,716,591	2,212,241	2,097,287	2,165,905
EXPENSES					
Grants	36,312	31,300	36,704	54,330	195,691
Interest and financing costs	6,988,277	6,580,403	5,329,322	4,678,699	3,821,355
Net foreign exchange losses	-	398,315	-	-	-
Debt assumption	140,087	-	-	-	-
Other	330	829	829	829	500
Total expenses administered on behalf of government	7,165,006	7,010,847	5,366,855	4,733,858	4,017,546

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

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
ASSETS					
Financial assets					
Cash	73	73	73	73	73
Receivables	4,441,914	4,179,649	3,802,830	3,644,512	3,423,024
Investments	10,400,000	-	-	-	-
Accrued revenues	200,935	171,992	121,917	137,355	162,224
Total financial assets	15,042,922	4,351,714	3,924,820	3,781,940	3,585,321
Total assets administered on behalf of government	15,042,922	4,351,714	3,924,820	3,781,940	3,585,321
LIABILITIES					
Interest bearing liabilities					
Loans — Commonwealth securities	63,864,208	51,426,734	47,341,130	32,178,535	14,870,331
Other — swap principal	1,900,886	1,736,000	985,000	804,000	701,000
Total interest bearing liabilities	65,765,094	53,162,734	48,326,130	32,982,535	15,571,331
Provisions and payables					
Other — interest	2,923,657	3,048,346	3,050,108	3,130,805	2,472,512
Total provisions and payables	2,923,657	3,048,346	3,050,108	3,130,805	2,472,512
Total liabilities administered on behalf of government	68,688,751	56,211,080	51,376,238	36,113,340	18,043,843

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

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Cash from Official Public					
Account	5,503,475	6,196,587	5,427,264	4,682,332	4,720,339
Interest	1,284,637	2,777,260	2,324,467	2,111,000	2,185,516
Other	102	20	20	20	20
Total cash received	6,788,214	8,973,867	7,751,751	6,793,352	6,905,875
Cash used					
Grants	34,381	31,300	36,704	54,330	195,691
Interest	5,607,970	6,165,287	5,390,560	4,628,002	4,524,648
Cash to Official Public Account	1,145,839	2,777,280	2,324,487	2,111,020	2,185,536
Other — GST	4	-	-	-	-
Total cash used	6,788,194	8,973,867	7,751,751	6,793,352	6,905,875
Net cash from operating activities	20	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Other — Housing Loan repayments	74,277	77,312	79,822	82,209	84,227
Total cash received	74,277	77,312	79,822	82,209	84,227
Cash used					
Cash to Official Public Account	74,277	77,312	79,822	82,209	84,227
Total cash used	74,277	77,312	79,822	82,209	84,227
Net cash from investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	14,913,415	66,653,000	20,088,000	29,310,000	29,310,000
Cash from Official Public					
Account	21,032,956	84,913,550	27,069,607	45,078,919	47,174,697
Other — swaps	1,889,406	5,119,000	2,442,000	500,000	598,000
Total cash received	37,835,777	156,685,550	49,599,607	74,888,919	77,082,697
Cash used					
Repayments of debt	18,331,548	79,397,550	23,876,607	44,397,919	46,473,697
Cash to Official Public Account	16,802,821	71,772,000	22,530,000	29,810,000	29,908,000
Other — swaps	2,701,408	5,516,000	3,193,000	681,000	701,000
Total cash used	37,835,777	156,685,550	49,599,607	74,888,919	77,082,697
Net cash from financing activities	-	-	-	-	-
Net increase (decrease) in cash held	20	-	-	-	-
Cash at beginning of reporting period	53	73	73	73	73
Administered cash at end of reporting period	73	73	73	73	73

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and in accordance with the historic cost convention. 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 revenues and expenses or the note of budgeted administered assets and liabilities.

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 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 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 assets, liabilities, revenues and expenses 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; and
- administered expense appropriations: for the estimated administered expenses relating to debt management output.

In addition, special appropriations continue under the accrual budgeting framework, and fund the majority of payments from the Official Public Account, including gross debt redemption and financial investment activity.

Agency budgeted financial statements

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 2002-03 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

The AOFM has estimated that it will earn \$20,000 interest on credit balances in its agency account and from term deposit investments.

Assets and liabilities

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 (from depreciation funding); 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 budgeted financial statements

Revenue and expenses

Non-taxation revenue — interest

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
Interest					
Interest on housing agreements	169,249	166,109	162,853	159,477	156,164
Interest on State and Territory debt	31,079	31,940	20,065	11,279	633
Interest from other sources	2,846,990	2,517,695	2,028,474	1,925,682	2,008,588
Total interest	3,047,318	2,715,744	2,211,392	2,096,438	2,165,385

Interest from other sources includes interest from swaps and investments.

Expenses — grants

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
Grants					
Grants to State and Territory Governments	36,312	31,300	36,704	54,330	195,691
Total grants	36,312	31,300	36,704	54,330	195,691

Part C: Agency Additional Estimates Statements — AOFM

Expenses — interest and financing costs

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
Interest and other financing costs					
Interest on government securities	4,993,164	4,524,826	3,870,739	3,412,097	2,778,664
Interest on swaps	1,839,794	1,710,410	1,437,000	1,255,000	1,036,000
Interest on other debt	939	18,963	18,379	8,398	3,487
Net repurchase premia	153,647	323,000	-	-	-
Other financing costs	733	3,204	3,204	3,204	3,204
Total interest and other financing costs	6,988,277	6,580,403	5,329,322	4,678,699	3,821,355

Assets and liabilities

Financial assets — receivables

	2001-02 actual \$'000	2002-03 revised budget \$'000	2003-04 forward estimate \$'000	2004-05 forward estimate \$'000	2005-06 forward estimate \$'000
Receivables					
Loans to State and Territory Governments	4,291,411	4,179,625	3,802,806	3,644,488	3,423,000
Swap principal	150,478	-	-	-	-
Other	25	24	24	24	24
Total receivables	4,441,914	4,179,649	3,802,830	3,644,512	3,423,024

Debt liabilities — loans

Except for 2001-02, 'Loans — Commonwealth securities' represent the book value of Government securities on issue net of investments.

Appendices 1 and 2

Appendix 1

Agency and administered revenue

	2002-03 budget estimate \$'000	2002-03 revised estimate \$'000
AGENCY REVENUE		
Non-appropriation agency revenue		
Interest	20	20
Total non-appropriation agency revenue	20	20
Appropriation revenue	6,574	7,094
Total agency revenue	6,594	7,114
ADMINISTERED REVENUE		
Non-appropriated administered revenue		
Advances to the States under the Housing Agreements — interest	94,938	94,938
Advances to the Northern Territory for housing — interest	1,516	1,516
Advances to the States under the <i>Housing Assistance Act 1973</i> — interest	141	141
Advances to the States under the <i>States (Works and Housing Assistance) Acts</i> — interest	69,178	69,178
Advances to the States under the <i>War Service Lands Settlements Acts</i> — interest	336	336
Interest paid by States and the Northern Territory on other loans	31,940	31,940
Interest on financial assets	388,172	295,575
Loan management expenses — recoveries from the States and the Northern Territory	20	20
<i>Loan Securities Amendment Act 1988</i> (Swaps) — interest	2,222,000	2,222,120
Other	827	827
Total non-appropriation administered revenue	2,809,068	2,716,591
Total estimated revenue	2,815,662	2,723,705

Appendix 2

Estimates of expenses from special appropriations

	2002-03 budget estimate \$'000	2002-03 revised estimate \$'000
ESTIMATED EXPENSES		
Appropriation Bill (No. 1)		
Loan management expenses	2,782	2,782
Overseas bond issues — lapsed coupons	10	10
Total Appropriation Bill (No. 1)	2,792	2,792
Special appropriations		
<i>Airports (Transitional) Act 1996</i> — former debts of the Federal Airports Commission — interest	29,530	28,530
<i>Commonwealth Inscribed Stock Act 1911</i> , <i>Loans Securities Act 1919</i> , <i>Loans Redemption and</i> <i>Conversion Act 1921</i>	4,581,119	4,512,009
<i>Loans Securities Amendment Act 1988 (Swaps)</i> — interest	1,720,000	1,710,410
<i>Loans Securities Amendment Act 1988 (Swaps)</i> — principal	-	382,592
<i>Financial Agreement Act 1994</i> — assistance for debt redemption	29,800	29,800
<i>Financial Agreement Act 1994</i> — Commonwealth contribution to the Debt Retirement Reserve Trust Account on State and Northern Territory debt	1,500	1,500
<i>Financial Agreement Act 1994</i> — interest on Debt Retirement Reserve Trust Account balances	829	829
<i>Snowy Hydro Corporatisation Act 1997</i> — debt servicing	1,960	18,963
Loan flotation expenses	422	422
<i>Loans Redemption and Conversion Act 1921</i> — net repurchase premia	278,000	323,000
Total special appropriations	6,643,160	7,008,055
Total estimated expenses	6,645,952	7,010,847