PART C

Agency Budget Statements

Page

DEPARTMENT OF THE TREASURY

Section 1: Overview, appropriations and budget measures summary

DEPARTMENT OVERVIEW

The Department of the Treasury seeks to promote a sound macroeconomic environment; effective government spending and taxation arrangements; and well functioning markets, by providing sound and timely advice to the Government and assisting Treasury Ministers in the administration of their responsibilities and in the implementation of Government decisions.

APPROPRIATIONS AND RESOURCING

The total appropriations for the Department of the Treasury in the 2003-04 Budget are $33,764.9 million. Table 1.1 on the following page shows the total by administered appropriations, price of output appropriations and administered capital.

Table 1.2 details funding provided for new budget measures in 2003-04.

Department of the Treasury — appropriations 2003-04

Table 1.1: Appropriations and other revenue

Outcome	Departmental (price of outputs) $'000					Administered $'000				$'000
	Revenues from government (appropriations)			Revenue from other sources[4]	Price of outputs[3]	Annual appropriations		Special appropriations[5]	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2 (SPPs)[2]			
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J = C+I)
			(C1)[1]		(E1)[1]				(I1)[1]	
Outcome 1 - Sound macroeconomic environment	19,069	-	19,069	484	19,553	-	-	20,055	20,055	39,124
Outcome 2 - Effective government spending and taxation arrangements	47,170	-	47,170	968	48,138	-	20,900	33,284,934	33,305,834	33,353,004
Outcome 3 - Well functioning markets	34,123	-	34,123	46,933	81,056	10,000	157,519	11,733	179,252	213,375
			67%	33%	100%					
Total	100,362	-	(K1)[1] 100,362	48,385	148,747	10,000	178,419	33,316,722	(K2)[1] 33,505,141	33,605,503
								Departmental capital (equity injections and loans)	(K3)[1]	11,100
								Administered capital (includes administered capital special appropriations)	(K4)[1]	148,300
								Total appropriations		33,764,903

(1) C1, E1 and I1 refer to information provided in Table 2.1.1 (page 19), Table 2.1.2 (page 22) and Table 2.1.3 (page 28) respectively. K1 and K2 refer to information provided in Table 3.1 (page 37) and Table 3.6 (page 42) respectively. K3 and K4 refer to information provided in Table 3.4 (page 40) and Table 3.9 (page 45) respectively.
(2) Under the appropriation structure, Bill No. 2 includes specific purpose payments (SPPs) and administered capital.
(3) Refer to Budgeted Departmental Statement of Financial Performance in Table 3.1 (page 37) for application of price of outputs (that is agency revenue).
(4) Revenue from other sources includes revenue from sources other than government (for example, goods and services). Departmental and administered revenues are detailed in Table 1.3 (page 12).
(5) Estimated expenses from special appropriations are shown in Table 1.4 (page 13).
Note: Percentage figures indicate the percentage contribution of revenues from government (departmental appropriations) to the total price of outputs.

MEASURES — DEPARTMENT OF THE TREASURY SUMMARY

Table 1.2: Summary of measures disclosed in the 2003-04 Budget

Measure	Outcome	Output Groups affected	Appropriations budget 2003-04 $'000			Appropriations forward estimate 2004-05 $'000			Appropriations forward estimate 2005-06 $'000			Appropriations forward estimate 2006-07 $'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Languages Other Than English courses provided by ethnic schools - variation in Budget Balancing Assistance as a result of making courses GST-free	2	2.1	1,800	-	1,800	700	-	700	700	-	700	600	-	600
Australian Reinsurance Pool Corporation - establishment cost(1)	3	3.1	-	-	-	-	-	-	-	-	-	-	-	-
Financial Reporting Council - funding to support expanded role	3	3.1	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000
Royal Australian Mint - additional funding(1)	3	3.1	-	2,100	2,100	-	2,165	2,165	-	2,710	2,710	-	2,515	2,515

(1) These two measures are capital measures.

DEPARTMENTAL AND ADMINISTERED REVENUES

Table 1.3: Departmental and administered revenues

	Estimated revenue 2002-03 $'000	Estimated revenue 2003-04 $'000
ESTIMATED DEPARTMENTAL REVENUES		
Non-appropriation departmental revenues		
Goods and services	42,843	47,812
Interest	508	210
Proceeds from sales of assets	46	47
Other	305	316
Total non-appropriation departmental revenues	43,702	48,385
Appropriation revenue	104,461	100,362
Total estimated departmental revenues	148,163	148,747
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999 - GST revenue	(31,230,000)	(32,050,000)
Foreign exchange gains	171,107	-
GST administration fees	562,955	570,900
Housing Loans Insurance Corporation - recoveries from old book stock and premiums	11,286	7,746
Dividends	1,889,000	2,200,000
Postal Services Regulation	1,000	1,000
Receipts under the *International Monetary Agreements Act 1947*	54,888	51,273
Royal Australian Mint - monies in excess of requirements	85,865	87,889
Seigniorage payments - Gold Corporation	918	1,000
Other	690	7,210
Total non-appropriation administered revenues	(28,452,291)	(29,122,982)
Appropriation revenue	32,503,022	33,505,141
Total estimated administered revenues	4,050,731	4,382,159
Total estimated departmental and administered revenues	4,198,894	4,530,906

This table shows departmental and administered revenues for the Department of the Treasury. Appropriation revenues have been included so that the total revenues link back to the budgeted financial statements.

The total estimated departmental revenues for 2003-04 of $148.7 million corresponds to total revenues in the Budgeted Departmental Statement of Financial Performance, Table 3.1, on page 37.

The total estimated administered revenues for 2003-04 of $4,382.2 million corresponds to total revenues in the Budgeted Administered Statement of Financial Performance, Table 3.6, on page 42.

The Department of the Treasury has no receipts that relate to cost recovery arrangements associated with the Productivity Commission Report No. 15 *Cost Recovery by Government Agencies*.

SPECIAL APPROPRIATIONS

Table 1.4: Estimates of expenses from special appropriations

	Outcome affected	Estimated expenses 2002-03 $'000	Estimated expenses 2003-04 $'000
ESTIMATED DEPARTMENTAL EXPENSES			
Special appropriations			
International Monetary Agreement Act 1947	1	223,368	146,961
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999	2	1,404,023	1,504,934
Superannuation Industry (Supervision) Act 1993	3	25,000	-
Appropriation (HIH Assistance) Act 2001	3	13,899	11,733
Total estimated departmental expenses		1,666,290	1,663,628

This table identifies expenses associated with special appropriations administered by the Department of the Treasury.

SPECIAL ACCOUNTS

Table 1.5: Estimates of special account flows and balances

		Opening Balance	Receipts	Payments	Closing Balance
	A[(1)]	**2003-04**	**2003-04**	**2003-04**	**2003-04**
	B[(1)]	2002-03	2002-03	2002-03	2002-03
		$'000	$'000	$'000	$'000
SPECIAL ACCOUNTS[(2)]					
Australian Government Actuary		**888**	**1,500**	**1,500**	**888**
		888	1,500	1,500	888
Commonwealth Consumer Affairs Advisory Council		**-**	**-**	**-**	**-**
		2	-	2	-
Ministerial Council on Consumer Affairs		**446**	**230**	**230**	**446**
		436	230	220	446
Royal Australian Mint and Coinage Trust		**3,064**	**75,000**	**75,000**	**3,064**
		2,064	75,000	74,000	3,064
Total special accounts		**4,398**	**76,730**	**76,730**	**4,398**

(1) The opening balance for 2003-04 (reference A) is the same as the closing balance for 2002-03 (reference B).
(2) The special accounts are departmental in nature and is governed by Section 20 of the *Financial Management and Accountability Act 1997*.
Note: Inactive special accounts are not disclosed.

This table identifies estimates of special account flows and balances. All special accounts appear under Outcome 3 in Table 2.1.3 on page 28.

ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Department of the Treasury will receive administered capital appropriations of $148.3 million in 2003-04. Of this amount $140.6 million is funded through special appropriations and $7.7 million through Appropriation Bill No. 2. These capital appropriations relate to financial assets. See Table 3.9 on page 45.

The special appropriation amount relates to capital payments for the Asian Development Bank and the HIH Assistance Scheme. The Appropriation Bill No. 2 item relates to capital payments to the European Bank for Reconstruction and Development and Australia's contribution to the International Monetary Fund's Poverty Reduction and Growth Facility.

The Department of the Treasury will receive an equity injection of $11.1 million in 2003-04. This relates to the establishment of the Australian Reinsurance Pool Corporation of $5 million and capital requirements for the Royal Australian Mint of $6.1 million. Details on these items appear in Table 3.4 Departmental Capital Budget Statement on page 40.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

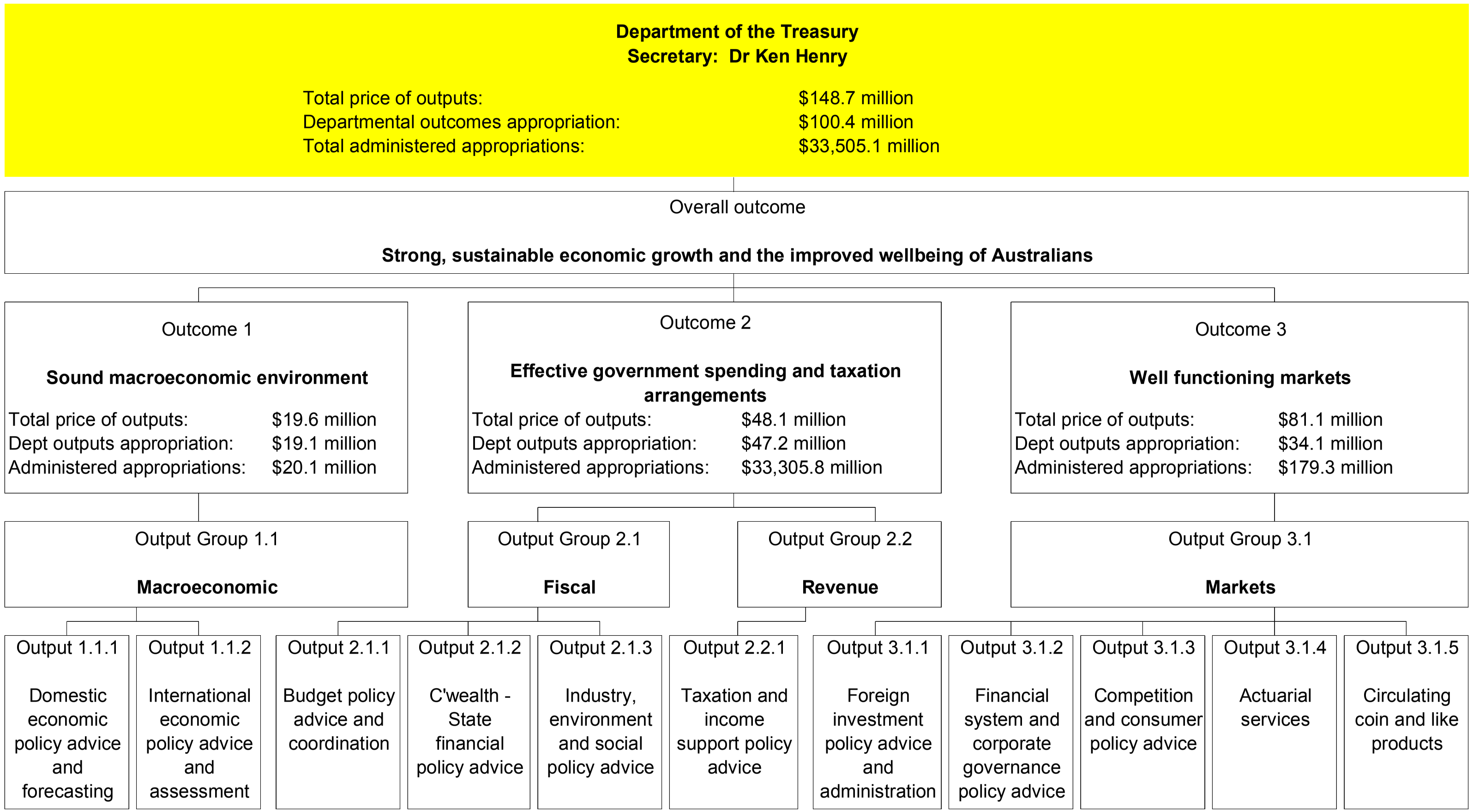
The map on the following page shows the relationship between government outcomes and the contributing outputs for the Department of the Treasury. Financial details for Outcomes 1, 2 and 3, by output, appear in Tables 2.1.1, 2.1.2 and 2.1.3 respectively, while non-financial information for the three outcomes appear in Tables 2.2.1, 2.2.2 and 2.2.3 respectively.

Output cost attribution

The Department of the Treasury uses a process of cost allocation to estimate the costs of each output identified in Table 2.1.1 (page 19), Table 2.1.2 (page 22) and Table 2.1.3 (page 28) respectively.

The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a consumption (cost driver) basis.

Map 2: Outcomes and output groups



CHANGES TO OUTCOMES AND OUTPUTS

The Department of the Treasury amended its outputs and output groups from 1 July 2002. This change was detailed in Treasury's *Portfolio Additional Estimates Statements 2002-03* on pages 18 and 19.

There has been no change to the outcomes or outputs structure since this time.

OUTCOME 1 — DESCRIPTION

Sound macroeconomic environment

A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. It is characterised by stable prices, low interest rates, healthy economic and employment growth, and a sustainable external position.

As many influences on macroeconomic outcomes are beyond the control of the Government, policy aims to improve the prospects for the Australian economy, rather than to target specific outcomes or major economic indicators. Success is judged more by medium to long-term performance relative to Australia's past and to other countries, rather than by particular results in any year.

Measures affecting Outcome 1

There are no measures affecting Outcome 1 in the 2003-04 Budget.

OUTCOME 1 — RESOURCING

Table 2.1.1 shows how the 2003-04 appropriations translate to total resourcing for Outcome 1, including administered expenses, revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1.1: Total resources for Outcome 1

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000
Administered appropriations			
Special appropriations			
International Monetary Agreements Act 1947	21,115		20,055
Total administered appropriations	21,115	(I1)[1]	20,055
Departmental appropriations			
Output Group 1.1 - Macroeconomic Group			
Output 1.1.1 - Domestic economic policy advice and forecasting	8,158		7,912
Output 1.1.2 - International economic policy advice and assessment	11,690		11,157
Total revenues from government (appropriations)	19,848	(C1)[1]	19,069
Contributing to price of departmental outputs	98%		98%
Revenue from other sources			
Goods and services	428		478
Other	9		6
Total revenue from other sources	437		484
Total price from departmental outputs			
(Total revenues from government and from other sources)	20,285	(E1)[1]	19,553
Total estimated resourcing for Outcome 1			
(Total price of outputs and administered appropriations)	41,400		39,608

	2002-03	2003-04
Average staffing level (number)	122	122

(1) C1, E1 and I1 show the links back to Table 1.1 on page 10.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The Department of the Treasury aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy.

The Department of the Treasury provides advice on advancing Australia's interests at forums such as the Group of Twenty and the Manila Framework Group, and international institutions such as the World Bank, International Monetary Fund, Asian Development Bank and the Organisation for Economic Cooperation and Development, and in the Asia-Pacific Economic Cooperation process. Australia is making a significant contribution to international efforts to sustain international economic stability and growth through these forums.

The Department of the Treasury also provides bilateral financial and technical assistance in support of economic reform and strengthened economic governance, in particular to Papua New Guinea.

The effectiveness of the Department of the Treasury's contribution to a sound macroeconomic environment is judged primarily by feedback from Treasury portfolio Ministers on the quality and relevance of Treasury's advice.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2.1: Performance information for Outcome 1

Performance information for administered items (including third party outputs)	
Subscriptions to international financial institutions	Facilitation of achievement of government objectives in international forums, including strengthening the international financial system, multilateral debt relief and institutional reform in the multilateral development banks. Timely and accurate financial transactions with the international financial institutions that are made with due regard to minimising cost and risk for Australia.
Performance information for departmental outputs	
Output Group 1.1 - Macroeconomic	
Output 1.1.1 - Domestic economic policy advice and forecasting	Advice on economic policy and the economic outlook meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions that contribute to a sound domestic economy. Effective presentation of budget documents and other publications to adequately inform public debate.
Output 1.1.2 - International economic policy advice and assessment	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions relating to international economic and financial issues.

EVALUATIONS

Feedback will be sought from key clients on a regular basis on the effectiveness of Treasury's policy advice.

Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2003-04*.

OUTCOME 2 — DESCRIPTION

Effective government spending and taxation arrangements

Government spending and taxation arrangements contribute to the overall fiscal outcome but also influence strong sustainable economic growth and the improved wellbeing of Australians.

Spending measures should be effective in meeting their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs, thus contributing to the wellbeing of Australians.

Taxation measures should meet revenue objectives (or other public policy objectives) and have regard to the principles of economic efficiency, horizontal and vertical equity and transparency whilst minimising compliance and administrative costs. By meeting these objectives, taxation measures contribute to wellbeing, either directly or by providing the revenue base to finance government services.

Treasury provides policy advice to portfolio Ministers in order to promote Government decisions that further these objectives.

Measures affecting Outcome 2

Languages Other Than English courses provided by ethnic schools — variation in Budget Balancing Assistance as a result of making courses GST-free

The Government will make State or Territory recognised Languages Other Than English (LOTE) courses provided by non-profit ethnic schools GST-free, with effect from 1 January 2002.

Currently, LOTE courses provided by ethnic schools are taxable supplies under the GST because the schools providing them do not qualify for GST-free treatment. The Minister for Education, Science and Training will make a determination under existing legislative provisions of the *A New Tax System (Goods and Services Tax) Act 1999* to make LOTE courses GST-free.

The reduction in GST revenues will result in increased Budget Balancing Assistance payments to the States and Territories.

See also the related revenue measure titled *GST Determination to make Languages Other Than English courses provided by ethnic schools GST-free* in Appendix A of Budget Paper No. 3.

OUTCOME 2 — RESOURCING

Table 2.1.2 shows how the 2003-04 appropriations translate to total resourcing for Outcome 2, including administered expenses, revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1.2: Total resources for Outcome 2

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000
Administered appropriations			
Annual appropriations			
Australian Capital Territory - special revenue assistance	14,700		10,900
Additional First Home Owners Scheme	60,000		10,000
Special appropriations			
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999	32,209,023		33,284,934
Total administered appropriations	32,283,723	(I1)[1]	33,305,834
Departmental appropriations			
Output Group 2.1 - Fiscal			
Output 2.1.1 - Budget policy advice and coordination	4,764		4,561
Output 2.1.2 - Commonwealth-State financial policy advice	2,231		2,062
Output 2.1.3 - Industry, environment and social policy advice	5,057		4,743
Subtotal Output Group 2.1	12,052		11,366
Output Group 2.2 - Revenue			
Output 2.2.1 - Taxation and income support policy advice [2]	37,052		35,804
Subtotal Output Group 2.2	37,052		35,804
Total revenues from government (appropriations)	49,104	(C1)[1]	47,170
Contributing to price of departmental outputs	98%		98%
Revenue from other sources			
Goods and services	857		957
Other	17		11
Total revenue from other sources	874		968
Total price from departmental outputs (Total revenues from government and from other sources)	49,978	(E1)[1]	48,138
Total estimated resourcing for Outcome 2 (Total price of outputs and administered appropriations)	32,333,701		33,353,972

	2002-03	2003-04
Average staffing level (number)	367	367

(1) C1, E1 and I1 show the links back to Table 1.1 on page 10.
(2) Appropriations include $2 million in each of 2002-03 and 2003-04 for the Inspector General of Taxation, which has not yet commenced operations. The Inspector General will be separately reported in future Portfolio Budget Statements following the establishment of the agency in 2003-04.

OUTCOME 2 — CONTRIBUTION OF OUTPUTS

Effective government spending and taxation arrangements are crucial to achieving the Government's objectives for the economy and hence the wellbeing of Australians. Ongoing advice to the portfolio Ministers from the Department assists in formulating, implementing and explaining government spending and taxation decisions.

More specifically, in the coming year the Department will provide advice on:

- budget policies, including arrangements for the distribution of resources between the Commonwealth and other levels of government, which are consistent with sustainable public finances and macroeconomic objectives;

- government expenditure programmes, with a focus on those programmes with significant economic or budgetary implications;

- policies relating to the Commonwealth's debt portfolio and the management of the portfolio;

- taxation policies and legislative design proposals which contribute to the reform of the Australian taxation system in terms of efficiency, equity and administrative simplicity;

- policies to promote the efficient and sustainable use of resources and to improve the competitiveness and productivity of Australian industries, thereby promoting higher levels of sustainable economic growth; and

- development and implementation of policies relating to retirement incomes, including superannuation and the age pension, and other income support arrangements intended to promote the wellbeing of Australians.

In 2003-04, the Department of the Treasury will devote significant resources to:

- monitoring and advising on those issues (such as national security and defence) impacting on the immediate budget position, as well as longer term issues arising from the Intergovernmental Agreement, including health and ageing. In this context the Productivity Commission research report on the implications of the future ageing of Australia's population will form the catalyst for further work on the fiscal pressures facing all levels of government;

- providing advice on those issues identified by the Government as its key strategic priorities (including demographic changes, work and family policies, education, energy, science and innovation, the environment and rural and regional policy);

- implementing decisions arising from the Government's review of the Commonwealth securities market;

- implementation of decisions arising from the review of international taxation;
- governance and accountability in the tax system, including the expected first full year of operation of the Inspector General of Taxation and possible issues arising from the review of governance arrangements for the statutory agencies of the Commonwealth;
- further stages in legislation relating to the taxation of financial arrangements and leasing, the definition of charities, and a substantial programme of other tax legislation; and
- further development of consultation processes which give effect to the Treasurer's May 2002 announcement on consultation arrangements.

The effectiveness of the contribution of these outputs to the outcome will be gauged primarily in terms of feedback from Treasury portfolio Ministers as to whether policy advice and new taxation legislation meets their needs in formulating, implementing and explaining government spending and taxation decisions.

PERFORMANCE INFORMATION FOR OUTCOME 2

Table 2.2.2: Performance information for Outcome 2

Performance information for administered items (including third party outputs)	
Payments to State and Territory Governments	Accurate calculation of amounts payable according to agreed formulae. Payments made according to agreed schedules.
Performance information for departmental outputs	
Output Group 2.1 - Fiscal	
Output 2.1.1 - Budget policy advice and coordination	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to assessments of the budget position and outlook, and budget strategy and debt policy. Effective presentation of budget documents for which Treasury has responsibility and other publications to adequately inform public debate.
Output 2.1.2 - Commonwealth-State financial policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to Commonwealth-State financial relations. Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.
Output 2.1.3 - Industry, environment and social policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to industry, environment and social policy. Effective presentation of relevant information to adequately inform public debate.
Output Group 2.2 - Revenue	
Output 2.2.1 - Taxation and income support policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions relating to taxation and income support policy. Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate. Legislation delivered according to government programmes.

EVALUATIONS

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice and payments to State and Territory Governments. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2003-04*.

OUTCOME 3 — DESCRIPTION

Well functioning markets

Well functioning markets contribute to high sustainable economic and employment growth and the wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively. Well functioning markets operate when investors and consumers have confidence and certainty about the regulatory framework, and are able to make decisions that are informed and free of market distortions and impediments.

The Department of the Treasury provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in both product and services markets, and safeguard the public interest in areas such as consumer protection and foreign investment.

Measures affecting Outcome 3

Australian Reinsurance Pool Corporation — establishment cost

The Government has announced a scheme for the provision of temporary terrorism risk reinsurance cover until market coverage resumes. The scheme will commence on 1 July 2003 and will be managed by a statutory authority to be established for that purpose, the Australian Reinsurance Pool Corporation. The cost of the authority will be met by the scheme once it has commenced operation.

The Government will provide up to $5 million to the Department of the Treasury in 2003-04 to meet establishment costs. The authority will repay this amount in full in the same financial year and so the injection will have no overall impact on the budget.

Financial Reporting Council — funding to support expanded role

The Government will provide $4 million over four years to support the expanded role of the Financial Reporting Council under Part 9 of the Government's Corporate Law Economic Reform Programme (CLERP 9). This expanded role will include oversight of audit standard setting and auditor independence issues. The Auditing and Assurance Standards Board will be moved under the control of the Financial Reporting Council with auditing standards being given the force of law.

On-going funding will be subject to a review by October 2006.

Royal Australian Mint — additional funding

The Government will provide additional funding of $13.5 million over four years to Department of the Treasury for the Royal Australian Mint. Of this amount, $9.5 million over four years will allow the Mint to undertake a staged capital replacement programme of its antiquated coin producing equipment.

The remaining $4 million in 2003-04 is a one-off equity injection to meet periodic fluctuations in the Mint's working capital requirements. It is expected that the working capital will be replenished when revenue becomes available and therefore the equity injection will have no impact on the underlying cash or fiscal balance.

OUTCOME 3 — RESOURCING

Table 2.1.3 shows how the 2003-04 appropriations translate to total resourcing for Outcome 3, including administered expenses, revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1.3: Total resources for Outcome 3

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000
Administered appropriations			
Annual appropriations			
Compensation - companies regulation	151,755		157,519
Housing Loans Insurance Company Limited			
- payments in respect of insurance claims	11,000		10,000
Special appropriations			
Superannuation Industry (Supervision) Act 1993	25,000		-
Appropriation (HIH Assistance) Act 2001	13,899		11,733
Total administered appropriations	201,654	(I1)[1]	179,252
Departmental appropriations			
Output Group 3.1 - Markets			
Output 3.1.1 - Foreign investment policy advice and administration	3,739		3,570
Output 3.1.2 - Financial system and corporate governance policy advice	22,438		21,962
Output 3.1.3 - Competition and consumer policy advice	9,340		8,591
Output 3.1.4 - Actuarial services	-		-
Output 3.1.5 - Circulating coin and like products	-		-
Total revenues from government (appropriations)	35,517	(C1)[1]	34,123
Contributing to price of departmental outputs	46%		42%
Revenue from other sources			
Goods and services	41,558		46,377
Other	833		556
Total revenue from other sources	42,391		46,933
Total price from departmental outputs			
(Total revenues from government and from other sources)	77,908	(E1)[1]	81,056
Estimated payments from special account balances[2]			
Australian Government Actuary	1,500		1,500
Commonwealth Consumer Affairs Advisory Council	2		-
Ministerial Council on Consumer Affairs	220		230
Royal Australian Mint and Coinage Trust	74,000		75,000
Total departmental special account outflows	75,722		76,730
Total estimated resourcing for Outcome 3			
(Total price of outputs and administered appropriations)	279,562		260,308

	2002-03	2003-04
Average staffing level (number)[3]	327	327

(1) C1, E1 and I1 show the links back to Table 1.1 on page 10.
(2) Further details on special accounts appear in Table 1.5 on page 14.
(3) Average staffing level includes the Royal Australian Mint.

OUTCOME 3 — CONTRIBUTION OF OUTPUTS

The Department of the Treasury provides advice to portfolio Ministers to assist them carry out their responsibilities in formulating, implementing and explaining the policies needed to achieve well functioning markets — markets that are competitive, efficient, informed, fair and transparent.

Advice is provided to the Government on foreign investment proposals and on general foreign investment policy matters, including Australia's participation in multilateral and bilateral agreements on investment and trade. In addition, the Department of the Treasury promotes awareness and understanding of the Government's foreign investment policy in the community and in the business sector, both in Australia and overseas, and monitors compliance with policy.

In relation to the financial system, the Department of the Treasury provides policy advice on the legislative framework for prudential supervision of financial institutions (including in the areas of banking, insurance and superannuation) by the Australian Prudential Regulation Authority and other regulation of those institutions. It monitors issues and developments in the financial sector, and provides advice on their policy implications. In 2003-04, the Department will continue to provide advice on policy issues emerging in the general insurance sector, including the recommendations of the HIH Royal Commission and implementation of the *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*, and options to improve the safety of superannuation.

Participation will continue in the Insurance Issues Working Group of the Heads of Treasuries, to consider reforms that can be implemented to improve the availability and affordability of various classes of insurance.

Policy advice relating to the HIH Assistance Scheme will continue to be provided to the Government. In addition, the ongoing involvement in relation to terrorism replacement insurance will continue, through the provision of policy advice and technical support to the Australian Reinsurance Pool Corporation, in its initial stages.

The Department of the Treasury provides advice on competition and consumer policy matters, monitors the effectiveness of the competition, consumer protection and pricing provisions in the *Trade Practices Act 1974* and the *Prices Surveillance Act 1983*, and advises on legislative amendments. In addition, the Department participates with other government departments and agencies in formulating policy for the progress of structural reform in key sectors of the economy, including energy, transport and communications. The Department will be undertaking work to implement the Dawson Review recommendations in relation to the competition provisions of the *Trade Practices Act 1974*.

Consumer affairs policy advice will focus on regulatory and non-regulatory options to promote consumer protection. Industry self-regulatory mechanisms will be facilitated, and secretariat services will be provided to the Ministerial Council for Consumer Affairs, the Commonwealth Consumer Affairs Advisory Council and the Minister's Electronic Commerce Expert Group. Product safety initiatives will focus on appropriate use of regulatory powers under the *Trade Practices Act 1974*, supporting the development of relevant voluntary safety standards and facilitating the removal of unsafe products from the market.

The Department of the Treasury will continue to provide the Executive for the Takeovers Panel, to promote efficiency and shareholder protection in the market for control of Australian companies.

In the coming year, the Department of the Treasury will continue to monitor the transition to the new system of financial services regulation. The legislation introducing the new system commenced on 11 March 2002, and is subject to a two-year transitional period before its full implementation. The Department of the Treasury will continue to develop reforms to ensure that Australia's regulatory framework remains at the forefront of world's best practice.

The Department of the Treasury will implement reforms covering independence of auditors, legislative backing for auditing standards as well as issues surrounding strengthening the regulatory framework for corporate governance more broadly. Progress will also continue on reforms to Australia's corporate insolvency laws.

Secretariat services will continue to be provided to the Financial Reporting Council, which oversees Australia's accounting standard setting arrangements, and will have a future role oversighting audit standard setting and auditor independence issues following the implementation of proposals to strengthen corporate reporting and disclosure under CLERP 9.

There will be ongoing involvement in progressing international cooperation in financial market regulation, corporate governance, financial reporting and corporate insolvency. Priority will be given to bilateral efforts to promote the recognition of national regulatory frameworks covering financial products and service providers.

The Australian Government Actuary (AGA) will provide services relating to financial matters: for example, benefits depending on contingencies such as injury, death or retirement. The AGA also assists departments and agencies with policy development in areas where it has specialist expertise.

The Royal Australian Mint (RAM) as an operating division of the Department of the Treasury, has responsibility for producing circulating and numismatic coin for Australia. The RAM is planning a capital equipment upgrade commencing in 2003-04. The Department of the Treasury will continue to chair the RAM Advisory Board and also provide advice relating to the currency system.

PERFORMANCE INFORMATION FOR OUTCOME 3

Table 2.2.3: Performance information for Outcome 3

Performance information for administered items (including third party outputs)	
Compensation - companies regulation payments to the States and the Northern Territory	Amounts payable, according to agreed formulae, are accurately calculated. Payments are made according to agreed schedules.
Performance information for departmental outputs **Output Group 3.1 - Markets**	
Output 3.1.1 - Foreign investment policy advice and administration	Advice meets Treasury portfolio Ministers' needs in fulfilling their responsibilities. Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international fora. - Effective coordination of Treasury's involvement in US Free Trade Agreement. Promote the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises and fulfil the responsibilities of the National Contact Point for the Guidelines. Proposals are processed efficiently to meet the needs of Ministers, the Foreign Investment Review Board, foreign investors and their agents. Performance is currently regarded as satisfactory if: - around 90 per cent of the roughly 5,000 proposals received each year are processed within 30 days of receipt of a completed application; and - responses are provided on average within 5 days to around 40,000 general telephone, email and mail inquiries each year. Treasury effectively disseminates and explains the foreign investment policy to improve the standard of applications and compliance with policy requirements so that the proportion of foreign investment proposals requiring Interim or Final Orders are reduced. Treasury undertakes a programme of compliance checks on previous proposals subject to conditions — possibly leading to prosecutions, but aimed at an overall reduction in non-compliance with policy.

Table 2.2.3: Performance information for Outcome 3 (continued)

Output 3.1.2 - Financial system and corporate governance policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to financial system and markets issues. Effective presentation of relevant information to adequately inform public debate. Statutory and other procedural requirements are met. Secretariat services provided to advisory bodies are effective. Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, is assessed by participants as effective. Ministerial correspondence handled satisfactorily. Implementation of Axiss Australia programme achieves intended results. The Takeovers Panel achieves intended results.
Output 3.1.3 - Competition and consumer policy advice	Advice meets Treasury portfolio Ministers' needs in discharging their responsibilities under legislation and in implementing government decisions in relation to competition and consumer policy. Statutory and other procedural, administrative and reporting requirements are met. Effective representation and/or liaison with other agencies, private sector organisations and international bodies to promote competitive, efficient and well-informed markets. Effective presentation of relevant information to inform consumers and businesses. Secretariat services provided to advisory bodies are effective. Ministerial correspondence handled satisfactorily.

Table 2.2.3: Performance information for Outcome 3 (continued)

Output 3.1.4 - Actuarial services	Efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria.
Output 3.1.5 - Circulating coin and like products	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to coinage and Royal Australian Mint operations.
	Effective presentation of relevant information to adequately inform public debate.
	Statutory and other procedural requirements are met.
	The Royal Australian Mint meets targets for operational efficiency and rate of return.

EVALUATIONS

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice. Ongoing evaluation will be conducted of foreign investment policy administration in the context of statutory deadlines and target response rates. Results of the evaluations will be presented, as appropriate, in *The Treasury Annual Report 2003-04*.

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED DEPARTMENTAL FINANCIAL STATEMENTS

A brief analysis of the Department's budgeted financial statements is provided below.

Departmental

The Department is budgeting towards a breakeven operating result for 2003-04.

While total revenue is expected to remain similar to 2002-03, there are movements between the types of revenue received by Treasury. These movements include an increase in goods and services in 2003-04, reduced interest revenue due to the cessation of the Agency Banking Incentive Scheme and reduced appropriations.

Total expenses are budgeted to increase by $3.1 million from 2002-03 to 2003-04 mainly due to increased superannuation expenses and expenses for the Financial Reporting Council.

Funds have been provided to the Treasury as an interim measure for the purposes of the Inspector General of Taxation. Funds will be transferred to the Inspector General, which is being established as a separate portfolio agency, when operations commence in 2003-04.

The Department's capital budget displays increased capital appropriations in 2003-04. This is attributable to budget measures relating to additional capital acquisitions for the Royal Australian Mint and an equity injection to the Australian Reinsurance Pool Corporation (to be repaid in the same year).

Administered

Goods and services tax (GST) related items are treated as negative in the Department of the Treasury's administered budget statements.

For constitutional reasons the GST is levied by the Commonwealth, and can therefore be technically considered Commonwealth revenue under the reporting standards. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), however, is that it is a State tax collected by the Commonwealth in an agency capacity. Accordingly, GST related items are treated as negative in Treasury's administered budget statements. This fully offsets GST related items recorded by the Australian Taxation Office so that at a consolidated level the GST is not recorded by the Commonwealth.

DEPARTMENTAL FINANCIAL STATEMENTS

Budgeted departmental statement of financial performance

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

Budgeted departmental statement of financial position

This statement shows the financial position of the Department of the Treasury. It helps decision-makers to track the management of assets and liabilities.

Budgeted departmental statement of cash flows

Budgeted cash flows, as reflected in the statement of cash flows, provide important information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Departmental capital budget statement

Shows all planned departmental capital expenditure (capital expenditure on non-financial assets), whether funded through capital appropriations for additional equity or borrowings, or from funds from internal sources.

Departmental non-financial assets — summary of movement

Shows budgeted acquisitions and disposals of non-financial assets during the budget year.

NOTES OF ADMINISTERED ACTIVITY

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 statement

This note shows details of planned administered capital expenditure.

Table 3.1: Budgeted Departmental Statement of Financial Performance — for the period ended 30 June

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
REVENUES						
Revenues from ordinary activities						
Revenues from government	104,461	(K1)[(1)]	100,362	100,049	103,059	103,765
Goods and services	42,843		47,812	49,193	49,338	49,506
Interest	508		210	210	210	210
Proceeds from sales of assets	46		47	47	47	47
Other	305		316	316	316	316
Total revenues from ordinary activities	148,163		148,747	149,815	152,970	153,844
EXPENSES						
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	62,217		64,974	63,853	65,594	66,047
Suppliers	79,660		79,748	81,150	82,419	82,672
Depreciation and amortisation	3,249		3,575	4,362	4,507	4,675
Total expenses from ordinary activities (excluding borrowing costs expense)	145,126		148,297	149,365	152,520	153,394
Borrowing costs expense	56		-	-	-	-
Operating surplus or deficit from ordinary activities	2,981		450	450	450	450
Income tax expense	(450)		(450)	(450)	(450)	(450)
Net surplus or deficit	2,531		-	-	-	-

(1) K1 shows the link back to Table 1.1 on page 10.

Table 3.2: Budgeted Departmental Statement of Financial Position — as at 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
ASSETS					
Financial assets					
Cash	13,206	16,408	15,815	16,263	16,879
Receivables	2,640	2,947	4,534	4,634	4,634
Other investments	8,000	8,000	8,000	8,000	8,000
Accrued revenues	67	67	67	67	67
Total financial assets	23,913	27,422	28,416	28,964	29,580
Non-financial assets					
Infrastructure, plant and equipment	16,081	18,148	19,436	21,698	23,597
Inventories	15,386	14,986	14,986	14,986	14,986
Intangibles	2,323	2,281	2,296	2,296	2,296
Other	6,060	6,024	5,989	5,989	5,989
Total non-financial assets	39,850	41,439	42,707	44,969	46,868
Total assets	63,763	68,861	71,123	73,933	76,448
LIABILITIES					
Debt					
Leases	309	-	-	-	-
Total debt	309	-	-	-	-
Provisions					
Employees	16,472	17,550	18,611	18,711	18,947
Total provisions	16,472	17,550	18,611	18,711	18,947
Payables					
Employees	1,203	1,226	1,249	1,249	1,249
Goods and services	8,374	10,766	13,784	15,556	15,320
Other	5,693	5,418	5,416	5,416	5,416
Total payables	15,270	17,410	20,449	22,221	21,985
Total liabilities	32,051	34,960	39,060	40,932	40,932
EQUITY					
Parent entity interest					
Contributed equity	4,076	10,176	12,341	15,051	17,566
Reserves	3,618	3,618	3,618	3,618	3,618
Retained surpluses or accumulated deficits	24,018	20,107	16,104	14,332	14,332
Total parent entity interest	31,712	33,901	32,063	33,001	35,516
Total equity	31,712	33,901	32,063	33,001	35,516
Total assets and liabilities by maturity					
Current assets	26,943	30,434	31,411	31,959	32,575
Non-current assets	36,820	38,427	39,712	41,974	43,873
Current liabilities	16,917	19,165	22,310	24,092	24,092
Non-current liabilities	15,134	15,795	16,750	16,840	16,840

Table 3.3: Budgeted Departmental Statement of Cash Flows — for the period ended 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	104,461	100,362	100,049	103,059	103,765
Goods and services	42,876	47,547	48,928	49,073	49,241
Interest	180	210	210	210	210
Other	646	628	628	628	628
Total cash received	148,163	148,747	149,815	152,970	153,844
Cash used					
Employees	61,056	63,799	63,456	65,080	65,080
Suppliers	70,073	74,997	76,203	76,134	76,840
Other	7,352	7,296	7,296	7,296	7,296
Total cash used	138,481	146,092	146,955	148,510	149,216
Net cash from operating activities	9,682	2,655	2,860	4,460	4,628
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	46	47	47	47	47
Total cash received	46	47	47	47	47
Cash used					
Purchases of property, plant and equipment	2,000	5,600	5,665	6,769	6,574
Total cash used	2,000	5,600	5,665	6,769	6,574
Net cash from investing activities	(1,954)	(5,553)	(5,618)	(6,722)	(6,527)
FINANCING ACTIVITIES					
Cash received					
Cash from capital injections	-	11,100	2,165	2,710	2,515
Total cash received	-	11,100	2,165	2,710	2,515
Cash used					
Capital use charge paid	(4,954)	-	-	-	-
Cash to Official Public Account	-	5,000	-	-	-
Total cash used	(4,954)	5,000	-	-	-
Net cash from financing activities	(4,954)	6,100	2,165	2,710	2,515
Net increase/(decrease) in cash held	2,774	3,202	(593)	448	616
Cash at the beginning of the reporting period	10,432	13,206	16,408	15,815	16,263
Cash at the end of the reporting period	13,206	16,408	15,815	16,263	16,879

Table 3.4: Departmental Capital Budget Statement

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	(K3)(1) 11,100	2,165	2,710	2,515
Total loans	-	-	-	-	-
Total	-	11,100	2,165	2,710	2,515
Represented by					
Purchase of non-current assets	-	2,100	2,165	2,710	2,515
Other	-	9,000	-	-	-
Total	-	11,100	2,165	2,710	2,515
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	2,100	2,165	2,710	2,515
Funded internally by departmental resources	2,000	3,500	3,500	4,059	4,059
Total	2,000	5,600	5,665	6,769	6,574

(1) K3 shows the link back to Table 1.1 on page 10.

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget year 2003-04)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	-	-	16,081	-	2,323	-	18,404
Additions	-	-	-	5,267	-	333	-	5,600
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(3,200)	-	(375)	-	(3,575)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	18,148	-	2,281	-	20,429
Total additions								
Self funded	-	-	-	3,167	-	333	-	3,500
Appropriations	-	-	-	2,100	-	-	-	2,100
Total	-	-	-	5,267	-	333	-	5,600

Table 3.6: Note of Budgeted Financial Performance Administered on behalf of Government — for the period ended 30 June

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
REVENUES						
Taxation						
Other taxes, fees and fines	(31,230,000)		(32,050,000)	(33,815,000)	(35,680,000)	(37,690,000)
Total taxation	(31,230,000)		(32,050,000)	(33,815,000)	(35,680,000)	(37,690,000)
Non-taxation						
Revenues from government	32,503,022	(K2)[1]	33,505,141	34,951,461	37,041,297	37,867,446
Goods and services	562,955		570,900	582,300	595,000	607,977
Interest and dividends	1,900,871		2,207,991	1,603,637	1,600,479	1,600,000
Net foreign exchange gains	171,107		-	-	-	-
Other	142,776		148,127	147,271	151,627	150,693
Total non-taxation	35,280,731		36,432,159	37,284,669	39,388,403	40,226,116
Total revenues administered on behalf of the Government	4,050,731		4,382,159	3,469,669	3,708,403	2,536,116
EXPENSES						
Grants	1,964,261		1,763,353	1,464,597	1,707,932	556,280
Net foreign exchange losses	-		126,906	-	-	-
Suppliers	13,899		11,733	7,869	5,352	4,152
Write down and impairment of assets	(135,000)		(80,000)	(80,000)	(80,000)	(90,000)
Other	57,115		30,055	28,995	28,013	27,014
Total expenses administered on behalf of the Government	1,900,275		1,852,047	1,421,461	1,661,297	497,446

(1) K2 shows the link back to Table 1.1 on page 10.

Table 3.7: Note of Budgeted Financial Position Administered on behalf of the Government — as at 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
ASSETS					
Financial assets					
Cash	8,041	8,041	8,041	8,041	8,041
GST receivables	(1,262,259)	(1,532,259)	(1,817,259)	(2,117,259)	(2,437,259)
Investments	16,379,467	16,227,937	16,227,937	16,227,937	16,227,937
Receivables	459,419	1,158,462	112,025	41,364	1,989
Other	900	1,000	1,000	1,000	1,000
Total financial assets	15,585,568	15,863,181	14,531,744	14,161,083	13,801,708
Non-financial assets					
Other	535,639	327	110	31	15
Total non-financial assets	535,639	327	110	31	15
Total assets administered on behalf of the Government	16,121,207	15,863,508	14,531,854	14,161,114	13,801,723
LIABILITIES					
Debt					
Loans	4,105,067	4,097,660	4,093,005	4,090,554	4,088,716
Other	1,108,991	1,086,960	1,086,960	1,086,960	1,086,960
Total debt	5,214,058	5,184,620	5,179,965	5,177,514	5,175,676
Provisions					
Taxation refunds	(332,000)	(332,000)	(332,000)	(332,000)	(332,000)
Other	20,346	12,657	8,797	6,400	4,924
Total provisions	(311,654)	(319,343)	(323,203)	(325,600)	(327,076)
Payables					
Grants and subsidies	15,000	12,500	10,000	7,500	5,000
HIH Claims Support Scheme	414,129	278,195	196,520	141,284	102,506
Other	10,157	5,105	-	-	-
Total payables	439,286	295,800	206,520	148,784	107,506
Total liabilities administered on behalf of the Government	5,341,690	5,161,077	5,063,282	5,000,698	4,956,106
Current liabilities	27,746	20,815	15,965	11,556	7,758
Non-current liabilities	5,313,944	5,140,262	5,047,317	4,989,142	4,948,348
Current assets	(81,444)	(418,346)	(562,877)	(687,049)	(807,439)
Non-current assets	16,202,651	16,281,854	15,094,731	14,848,163	14,609,162

Table 3.8: Note of Budgeted Administered Cash Flows — for the period ended 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
OPERATING ACTIVITIES					
Cash received					
Cash from Official Public Account	32,667,877	33,641,128	35,033,127	37,096,506	37,906,196
Interest and dividends	1,914,007	1,307,991	2,503,637	1,600,479	1,600,000
Other	705,990	712,700	726,639	744,930	757,807
Total cash received	35,287,874	35,661,819	38,263,403	39,441,915	40,264,003
Cash used					
Cash to Official Public Account	2,619,997	2,020,691	3,230,276	2,345,409	2,357,807
Grant payments	1,762,008	1,763,353	1,464,597	1,707,932	556,280
Other	30,905,869	31,877,775	33,568,530	35,388,574	37,349,916
Total cash used	35,287,874	35,661,819	38,263,403	39,441,915	40,264,003
Net cash from operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Cash from Official Public Account	12,338	12,366	12,260	4,951	4,338
Total cash received	12,338	12,366	12,260	4,951	4,338
Cash used					
Purchase of equity instalment	12,338	12,366	12,260	4,951	4,338
Total cash used	12,338	12,366	12,260	4,951	4,338
Net cash from investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	49,246	598,873	64,051	14,804	-
Cash from capital injections	716,937	-	-	-	-
Total cash received	766,183	598,873	64,051	14,804	-
Cash used					
Cash to Official Public Account	356,858	598,873	64,051	14,804	-
Other	409,325	-	-	-	-
Total cash used	766,183	598,873	64,051	14,804	-
Net cash from financing activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	8,041	8,041	8,041	8,041	8,041
Cash at end of reporting period	8,041	8,041	8,041	8,041	8,041

Table 3.9: Note of Administered Capital Budget Statement

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
CAPITAL APPROPRIATIONS						
Administered capital	7,682		7,710	7,605	4,951	4,338
Special appropriations	1,419,102		140,590	86,330	55,236	38,778
Total	1,426,784	(K4)(1)	148,300	93,935	60,187	43,116
Represented by:						
Other	1,426,784		148,300	93,935	60,187	43,116
Total	1,426,784		148,300	93,935	60,187	43,116

(1) K4 shows the link back to Table 1.1 on page 10.

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The Department of the Treasury's budget statements have been prepared on an accrual basis and 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.

Departmental and administered financial statements

Under the Commonwealth's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that departments control (departmental transactions) are separately budgeted for and reported on from transactions departments do not have control over (administered transactions). This ensures that departments are only held accountable for the transactions over which they have control.

Departmental assets, liabilities, revenues and expenses are those items that are controlled by the department. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the department in providing its goods and services.

Administered items are revenues, expenses, assets or liabilities which are managed by the department on behalf of the Government according to set Government directions. Administered expenses include subsidies, grants, and personal benefit payments and administered revenues include taxes, fees, fines and excises.

Royal Australian Mint

The Department of the Treasury's departmental budget statements are aggregated to include the financial operations of the Royal Australian Mint (RAM). Any profit earned by RAM, taking into account working capital requirements, is returned to the Commonwealth.

Seigniorage is collected by RAM on behalf of the Commonwealth. Seigniorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to RAM. Seigniorage is treated as an administered item within the Department of the Treasury budget statements.

Section 4: Purchaser/provider and cost recovery arrangements

SUMMARY OF COST RECOVERY IMPACT STATEMENT

The Department of the Treasury does not presently have any cost recovery arrangements. All receipts from independent sources are excluded for the purposes of the Commonwealth Cost Recovery Guidelines for the Regulatory Agencies as they are related to intergovenmental charging, taxation, or comply with competitive neutrality principles.