

PORTFOLIO BUDGET STATEMENTS 2004-05

TREASURY PORTFOLIO

**BUDGET INITIATIVES AND EXPLANATIONS OF
APPROPRIATIONS SPECIFIED BY OUTCOMES AND OUTPUTS BY AGENCY**

BUDGET RELATED PAPER NO. 1.16

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TREASURER
PARLIAMENT HOUSE
CANBERRA 2600

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2004-05 Budget for the Treasury Portfolio.

The Portfolio Budget Statements set out:

- the outcomes and outputs developed for the portfolio;
- the portfolio's administered items;
- information on budget measures affecting portfolio outcomes; and
- the performance indicators and evaluations to be used to assess performance against portfolio outcomes.

I present these statements by virtue of my Ministerial responsibility for accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P Costello'.

Peter Costello

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PART A

USER GUIDE

USER GUIDE

Introduction

The purpose of the 2004-05 Portfolio Budget Statements (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio. Agencies receive resources from the annual appropriations bills, special appropriations, standing appropriations (including special accounts), and revenue from other sources.

A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills No.1 and No.2 2004-05. In this sense the PB Statements are officially a Budget Related Paper and is declared by the Appropriation Bills to be a 'relevant document' to the interpretation of the Bills according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provides sufficient information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

Structure of the Portfolio Budget Statements

The PB Statements are presented in three parts as outlined below.

Part A: User Guide

Provides an introduction explaining the purpose of the PB Statements as well as information in relation to the structure of the document, styles and conventions used.

Part B: Portfolio Overview

Provides a brief overview of the portfolio. Portfolio outcomes are depicted in a chart that outlines the structure of the outcomes to which the portfolio contributes.

Part C: Agency Budget Statements

For each agency within the portfolio a budget statement is presented under the name of the agency. These are presented in four sections as outlined below.

Section 1: Overview, appropriations, and budget measures summary

Section 1 provides a brief overview of the agency, details agency appropriations and summarises, where applicable, Budget measures. This section describes the link between the resources appropriated and their application to the outputs the agency delivers to contribute to the achievement of specified outcomes. Similarly, there is a description of the link between resources appropriated and their application to the administered items the agency manages on behalf of government to contribute to the achievement of specified outcomes.

Section 2: Outcomes and outputs information

Section 2 provides a brief description of the specified outcomes and, where applicable, Budget measures. The section also provides details of resourcing, outlining both administered and departmental appropriations, how outputs contribute to outcomes, performance information for the outcomes, outputs and administered items, and planned evaluations. Upcoming competitive tendering and contracting that is of a material or sensitive nature is noted here.

Section 3: Budgeted financial statements

Section 3 contains the budgeted financial statements in accrual format covering the budget year, previous year and the three out-years for each agency.

Section 4: Purchaser/provider and cost recovery arrangements

Section 4 is presented in two parts. The first part discloses, where relevant, purchaser/provider arrangements that the agency has entered into with other agencies. The second part discloses, where relevant, cost recovery arrangements according to the Commonwealth Cost Recovery Policy, and a summary of the agency's Cost Recovery Impact Statement, where applicable.

Glossaries are provided at the end of the document.

Styles and conventions used

(a) The following notations may be used:

- * The nature of this measure is such that a reliable estimate cannot be provided.
- nil
- .. not zero, but rounded to zero
- \$m \$ million

(b) Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Enquiries

Should you have any enquiries regarding this publication please contact Ms Kate McCormack in the Department of the Treasury on (02) 6263 2111.

A copy of this document can be located on the Department of the Treasury website at <http://www.treasury.gov.au> or the Australian Government Budget website at: <http://www.budget.gov.au>.

PART B

PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW

The Treasury portfolio undertakes a range of activities aimed at achieving strong sustainable economic growth and the improved wellbeing of Australians. This entails the provision of policy advice to portfolio Ministers which seeks to promote a sound macroeconomic environment; effective government spending and taxation arrangements; and well functioning markets. It also entails the effective implementation and administration of policies that fall within the portfolio Ministers' responsibilities.

The **Department of the Treasury** produces outputs directed at the achievement of the foregoing outcomes under four output groups — Macroeconomic, Fiscal, Revenue and Markets.

Macroeconomic group outputs include: domestic economic policy advice and forecasting; and international economic policy advice and assessment.

Fiscal group outputs include: budget policy advice and coordination; Commonwealth-State financial policy advice; and industry, environment and social policy advice.

Revenue group output is: taxation and income support policy advice.

Markets group outputs include: foreign investment policy advice and administration; financial system, financial services and corporate governance policy advice; competition and consumer policy advice; and actuarial services. In addition, the Royal Australian Mint is responsible for producing Australia's circulating coin and like products.

The **Australian Bureau of Statistics** is Australia's official statistical agency. Outputs are directed at informed decision-making, research and discussion within governments and the community, based on the provision of a high quality, objective and responsive national statistical service. Its outputs principally relate to the production of economic, population and social statistics.

The **Australian Competition and Consumer Commission** outputs are directed at enhanced social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets. Outputs are: compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed; and competitive market structures and informed behaviour.

The **Australian Office of Financial Management** is responsible for the management of the Commonwealth's net debt portfolio. Its output – debt management – is directed at ensuring that the Commonwealth net debt portfolio is managed at least cost subject to the Government's policies and risk preferences.

The **Australian Prudential Regulation Authority** is the financial supervisor responsible for prudentially regulating the banking, other deposit taking, insurance and superannuation industries. Outputs aim at enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality.

The **Australian Securities and Investments Commission** (ASIC) is the independent government body that enforces and administers the Corporations Law and Consumer Protection Law for investments, life and general insurance, superannuation and banking (except lending). Its outputs aim at a fair and efficient financial market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers. Outputs include: policy and guidance about the laws administered by ASIC; comprehensive and accurate information on companies and corporate activity; compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity; and enforcement activity to give effect to the laws administered by ASIC.

The **Australian Taxation Office** outputs are directed at effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems. Outputs include: shape, design and build administrative systems; management of revenue collection and transfers; compliance assurance and support revenue collection; compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards; and services to governments and agencies.

The **Corporations and Markets Advisory Committee** outputs are directed at confident and informed participation of investors and consumers in the financial system. Outputs include: recommendations to the responsible Minister on the Corporations Law; and the annual report, discussion papers and reports of the Committee.

The **Inspector-General of Taxation** seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying systemic issues in the administration of the tax laws and providing independent advice to the government on the administration of the tax laws.

The **National Competition Council** is an independent advisory body for all Australian governments involved in implementing the National Competition Policy. Its outputs are aimed at the achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community. Outputs include: advice provided to governments on competition policy and infrastructure access issues; and clear, accessible public information on competition policy.

The **Productivity Commission** contributes to well informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective. Outputs include or relate to: government commissioned projects; performance reporting and other services to government bodies; regulation review activities; competitive neutrality complaints activities; and supporting research and activities and statutory annual reporting.

Map 1: Structure of portfolio outcomes

Portfolio Minister - Treasurer The Hon Peter Costello MP Minister for Revenue and Assistant Treasurer Senator the Hon Helen Coonan Parliamentary Secretary to the Treasurer The Hon Ross Cameron MP
Department of the Treasury Secretary: Dr Ken Henry Outcome 1: Sound macroeconomic environment Outcome 2: Effective government spending and taxation arrangements Outcome 3: Well functioning markets
Australian Bureau of Statistics Statistician: Mr Dennis Trewin Informed decision-making, research and discussion within governments and the community, based on the provision of a high quality, objective and responsive national statistical service
Australian Competition and Consumer Commission Chairperson: Mr Graeme Samuel To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets
Australian Office of Financial Management Chief Executive Officer: Mr Neil Hyden 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
Australian Prudential Regulation Authority Chairman: Dr John Laker To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality
Australian Securities and Investments Commission Acting Chairman: Mr Jeffrey Lucy A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers
Australian Taxation Office Commissioner: Mr Michael Carmody Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems
Corporations and Markets Advisory Committee Convenor: Mr Richard St John Fair and efficient financial markets characterised by integrity and transparency and supporting confident and informed participation of investors and consumers
Inspector-General of Taxation Inspector-General: Mr David Vos AM Improved administration of the tax laws for the benefit of all taxpayers
National Competition Council President: Dr Wendy Craik The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community
Productivity Commission Chairman: Mr Gary Banks Well informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective

PART C

AGENCY BUDGET STATEMENTS

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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 Australian 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 2004-05 Budget are \$36,093.4 million. Table 1.1 on the following page shows the total by price of outputs appropriation, departmental capital, administered appropriations and administered capital.

Table 1.2 details funding provided for new budget measures in 2004-05.

Department of the Treasury — appropriations 2004-05

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 (F)	Bill No. 2 (SPPs & NAOs) ⁽²⁾ (G)	(I = F+G+H) (1) ⁽¹⁾	
Outcome 1 - Sound macroeconomic environment	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(D)	(E = C+D) (E1) ⁽¹⁾	(H)	(J = C+I)
23,382	-	23,382	719	-	-	14,867	38,249
Outcome 2 - Effective government spending and taxation arrangements	53,289	-	53,289	1,638	54,927	35,637,712	35,707,415
Outcome 3 - Well functioning markets	32,393	-	32,393	47,693	80,086	-	201,192
Total	109,064	-	(K1) ⁽¹⁾ 109,064	50,050	159,114	35,652,579 (K2) ⁽¹⁾ 35,837,792	35,946,856
					Departmental capital (equity injections and loans) (K3) ⁽¹⁾		7,381
					Administered capital (includes administered capital special appropriations) (K4) ⁽¹⁾		139,120
					Total appropriations		36,093,357

1. C1, E1 and I1 refer to information provided in Table 2.1.1, Table 2.1.2 and Table 2.1.3 respectively. K1 and K2 refer to information provided in Table 3.1 and Table 3.6 respectively. K3 and K4 refer to information provided in Table 3.4 and Table 3.9 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 for application of price of outputs.

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.

5. Estimated expenses from special appropriations are shown in Table 1.5.

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 2004-05 Budget

Measure	Outcome	Output Groups affected	2004-05 appropriations budget \$'000			2005-06 appropriations forward estimate \$'000			2006-07 appropriations forward estimate \$'000			2007-08 appropriations forward estimate \$'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Australia-United States Free Trade Agreement - realising competition and financial sector integration benefits	1	1.1	-	521	521	-	442	442	-	437	437	-	443	443
East Asia - promoting economic security	1	1.1	-	840	840	-	848	848	-	856	856	-	865	865
South Pacific economic governance and stabilisation	1	1.1	-	2,300	2,300	-	1,800	1,800	-	1,900	1,900	-	1,900	1,900
Australian Capital Territory - Special Revenue Assistance	2	2.1	-	-	-	(14,500)	-	(14,500)	(14,900)	-	(14,900)	(15,200)	-	(15,200)
Commonwealth-State Financial Relations - information for the public	2	2.1	-	-	-	-	-	-	-	-	-	-	-	-
Demographics - discussion paper	2	2.1	-	-	-	-	-	-	-	-	-	-	-	-

Table 1.2: Summary of measures disclosed in the 2004-05 Budget (continued)

Measure	Outcome	Output Groups affected	2004-05 appropriations budget \$'000			2005-06 appropriations forward estimate \$'000			2006-07 appropriations forward estimate \$'000			2007-08 appropriations forward estimate \$'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Department of the Treasury - secretariat to the Review of Horizontal Fiscal Equalisation	2	2.1	-	1,300	1,300	-	-	-	-	-	-	-	-	-
Small business annual payment and lodgement of GST - compensating the States for revenue forgone	2	2.1	330,000	-	330,000	-	-	-	-	-	-	-	-	-
Financial Reporting Council - improved accounting and auditing standards-setting arrangements	3	3.1	-	3,400	3,400	-	-	-	-	-	-	-	-	-
Royal Australian Mint - additional capital funding	3	3.1	-	-	-	-	-	-	-	-	-	-	2,500	2,500

DEPARTMENTAL AND ADMINISTERED REVENUE

Table 1.3: Departmental and administered revenue

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED DEPARTMENTAL REVENUES		
Non-appropriation departmental revenues		
Goods and services	48,445	49,970
Other	80	80
Total non-appropriation departmental revenues	48,525	50,050
Appropriation revenue	99,965	109,064
Total estimated departmental revenues	148,490	159,114
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	(34,175,000)	(35,190,000)
Foreign exchange movement	130,061	-
GST administration fees	541,877	582,300
Housing Loans Insurance Corporation - recoveries from old book stock and premiums	7,746	4,152
Dividends	2,264,000	746,000
Receipts under the <i>International Monetary Agreements Act 1947</i>	34,791	29,208
Royal Australian Mint - monies in excess of requirements	61,778	65,519
Seigniorage payments - Gold Corporation	1,146	1,100
Interest from loans	7,991	3,637
Other	464	205
Total non-appropriation administered revenues	(31,125,146)	(33,757,879)
Appropriation revenue	34,196,379	35,837,697
Total estimated administered revenues	3,071,233	2,079,818
Total estimated departmental and administered revenues	3,219,723	2,238,932

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 2004-05 of \$159.1 million corresponds to total revenues in the Budgeted Departmental Statement of Financial Performance, Table 3.1.

The total estimated administered revenues for 2004-05 of \$2,079.7 million corresponds to total revenues in the Budgeted Administered Statement of Financial Performance, Table 3.6.

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 1.5: Estimates of expenses from special appropriations

	Outcome affected	2003-04 estimated expenses \$'000	2004-05 estimated expenses \$'000
ESTIMATED EXPENSES			
Special appropriations			
<i>International Monetary Agreements Act 1947</i>	1	14,674	14,867
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	2	868,298	792,712
<i>Superannuation Industry (Supervision) Act 1993</i>	3	10,000	-
Total estimated expenses from special appropriations		892,972	807,579

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

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
	B ⁽¹⁾	2003-04	2003-04	2003-04	2003-04
		opening	receipts	payments	closing
		balance			balance
		\$'000	\$'000	\$'000	\$'000
SPECIAL ACCOUNTS⁽²⁾					
Australian Government Actuary		1,386	1,500	1,500	1,386
		1,386	1,500	1,500	1,386
Lloyd's Deposit Fund		2,000	-	-	2,000
		2,000	190	190	2,000
Royal Australian Mint and Coinage Trust		5,457	75,000	75,000	5,457
		2,064	122,282	118,889	5,457
Trustee Companies (ACT) Deposit Trust Fund		120	-	-	120
		120	10	10	120
Total special accounts		8,963	76,500	76,500	8,963

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).

2. These special accounts are departmental in nature and are 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.

ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Department of the Treasury will receive administered capital appropriations of \$139.1 million in 2004-05. Of this amount, \$131.9 million is funded through special appropriations and \$7.2 million through Appropriation Bill No. 2. These capital appropriations relate to financial assets, Table 3.9.

The special appropriation item relates to capital payments for the Asian Development Bank and the HHH 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 departmental capital appropriations of \$7.4 million. This relates to capital requirements for the Royal Australian Mint of \$2.2 million and appropriation for previous year's outputs of \$5.2 million.

Section 2: Outcomes and outputs information

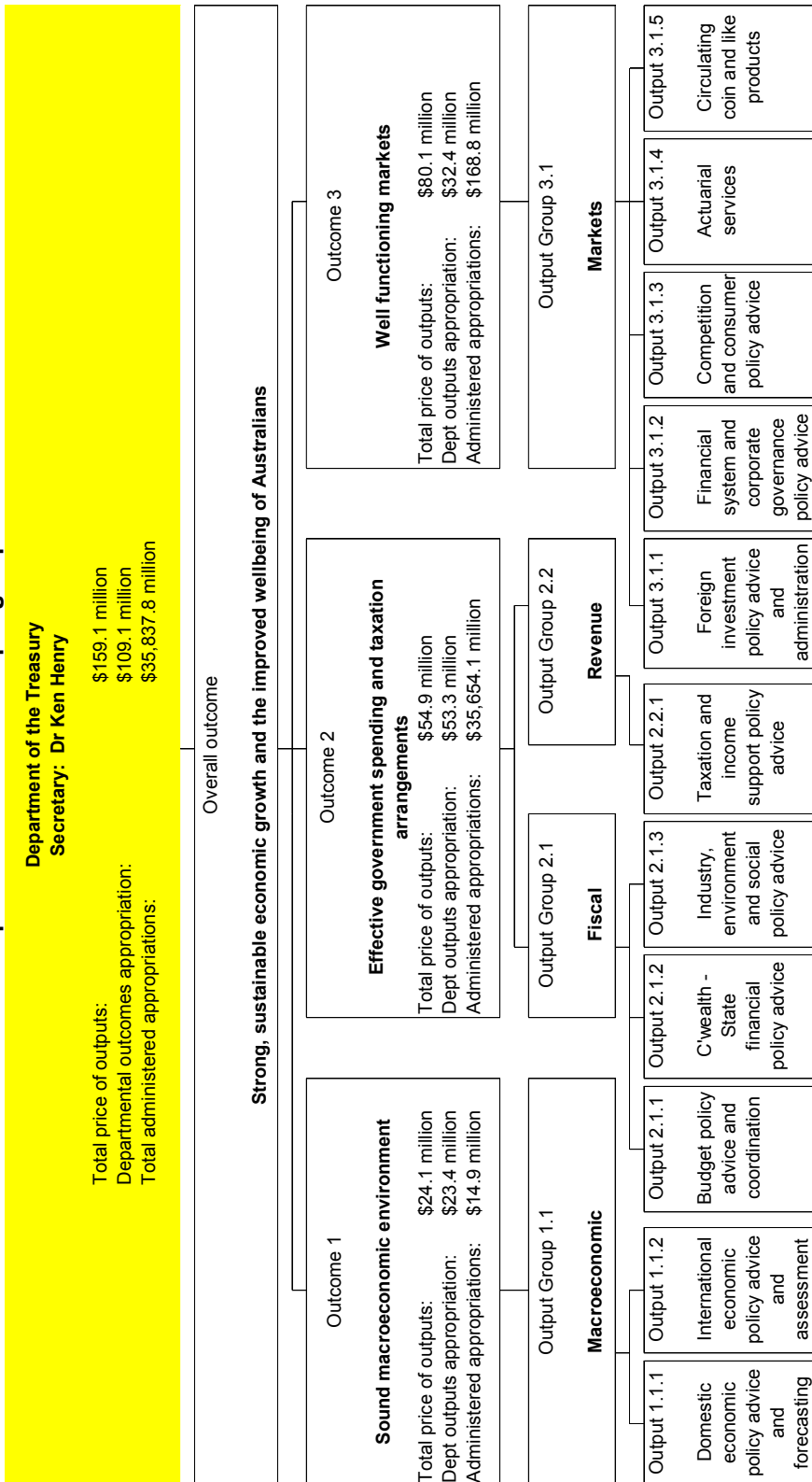
OUTCOMES AND OUTPUT GROUPS

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, Table 2.1.2 and Table 2.1.3.

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

There has been no change to the Department of the Treasury's outcomes or outputs structure since the 2003-04 Budget.

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 Australian 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

Australia-United States Free Trade Agreement — realising competition and financial sector integration benefits

The Government will provide \$1.7 million over four years to enable the Department of the Treasury to fulfil its commitments and obligations under the financial services and competition-related matters chapters of the Australia-United States Free Trade Agreement.

The additional resources will enable Australian officials to participate in ongoing consultation processes, including relevant working groups, to reduce restrictions and costs faced by Australians when attempting to access United States markets.

East Asia — promoting economic security

The Government will provide funding of \$3.4 million over four years to enhance Australia's efforts to promote economic growth and security in East Asia.

The initiative will increase Australia's collaborative efforts with key partners in East Asia aimed at improving regional governance, strengthening financial systems and raising regional living standards. Funding has also been provided to host regular economic fora for discussion of medium-term macroeconomic challenges that will shape the region's growth.

South Pacific economic governance and stabilisation

The Government will provide \$14.9 million over five years (including \$1.7 million in 2003-04) to the Departments of Finance and Administration and the Treasury to fund the establishment and operation of their Pacific Support Units.

Funding of \$9.2 million will enable the Department of the Treasury to provide analytical, policy and administrative support to Treasury officers undertaking deployment in the Pacific region as part of the whole-of-government approach to utilise Australian expertise to improve governance, security and economic reform in Pacific Island countries.

Funding of \$5.7 million will enable the Department of Finance and Administration to provide effective support to in-country operators in Papua New Guinea and other Pacific Island countries in the form of policy and administrative support, budget technical assistance and monitoring, and reporting and financial management assistance.

In-country resources from both agencies, which currently form the core of the economic and budget stabilisation team in the Solomon Islands and Papua New Guinea, are funded by Australian Agency for International Development.

OUTCOME 1 — RESOURCING

Table 2.1.1 shows how the 2004-05 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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Administered appropriations		
Special appropriations		
<i>International Monetary Agreements Act 1947</i>	13,668	14,867
Total administered appropriations	13,668	(I1) ⁽¹⁾ 14,867
Departmental appropriations		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	7,687	8,080
Output 1.1.2 - International economic policy advice and assessment	12,026	15,302
Total revenues from government (appropriations)	19,713	(C1) ⁽¹⁾ 23,382
Contributing to price of departmental outputs	97%	97%
Revenue from other sources		
Goods and services	626	647
Other	69	72
Total revenue from other sources	695	719
Total price from departmental outputs		
(Total revenues from government and from other sources)	20,408	(E1) ⁽¹⁾ 24,101
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	34,076	38,968
	2003-04	2004-05
Average staffing level (number)	140	134

1. C1, E1 and I1 show the links back to Table 1.1.

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 fora 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. Complementing these multilateral activities, the Department of the Treasury is engaged in bilateral policy dialogue and cooperation with counterparts in the Asia-Pacific region. The Department of the Treasury also provides bilateral assistance in support of economic reform and strengthened economic and fiscal governance, in particular to Papua New Guinea and the Solomon Islands. Through these avenues, Australia is making a significant contribution in efforts to sustain economic stability and growth both in our region and internationally.

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 fora, 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 the Department of the Treasury's policy advice.

Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2004-05*.

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

Australian Capital Territory — Special Revenue Assistance

The Government has decided that the ACT's fiscal needs should now be considered in the same way as other States and Territories, that is, through the Commonwealth Grants Commission's calculation of GST relativities. Accordingly, the Government will cease providing Special Revenue Assistance to the ACT from 2005-06.

The ACT will continue to receive funding to assist the ACT Government to meet the municipal costs flowing from Canberra's role as the national capital.

Commonwealth-State Financial Relations — information for the public

The Government will provide \$3 million in 2003-04 to the Department of the Treasury to deliver a communications package which will provide the public with information on Australian Government payments to the States and Territories.

Demographics — discussion paper

The Government will provide \$0.5 million in 2003-04 to the Department of the Treasury to fund the publication of the discussion paper on *Australia's Demographic Challenges*, released by the Treasurer on 25 February 2004. The funding will also enable public consultations on the issues raised in the discussion paper to be undertaken in each State.

As part of the 2002-03 Budget, the Government released the *Intergenerational Report 2002-03* which projected that, in the absence of policy measures being taken, total expenditure by the Australian Government would significantly exceed the amount raised in taxes in 40 years' time, as a result of ageing and other factors.

Department of the Treasury — secretariat to the Review of Horizontal Fiscal Equalisation Methodology

The Government will provide \$1.3 million in 2004-05 to the Department of the Treasury for a secretariat to the Review of Horizontal Fiscal Equalisation Methodology.

The majority of the States and Territories, with the support of the Australian Government, have agreed to examine aspects of the Commonwealth Grants Commission's methodology for Horizontal Fiscal Equalisation, and to do so while maintaining the underlying principles of equalisation.

Small business annual payment and lodgement of GST — compensating the States for revenue forgone

The Government will fully compensate the States for the revenue impact of the decision to allow taxpayers that are voluntarily registered for GST to pay and report GST annually. Compensation in 2004-05 will cost \$330 million. Future compensation will be subject to further negotiation with the States, and provisions have been made in the Contingency Reserve.

This measure will reduce compliance costs for up to 740,000 small businesses and up to 30,000 non-profit organisations. This compensation will be provided to ensure that the Government receives the States' agreement for this measure to proceed.

See also the related revenue measure titled *Small Business – annual payment and lodgement* in Appendix A of Budget Paper No. 3.

OUTCOME 2 — RESOURCING

Table 2.1.2 shows how the 2004-05 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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Administered appropriations		
Annual appropriations		
Australian Capital Territory - special revenue assistance	15,000	14,200
Additional First Home Owners Scheme	6,572	2,214
Special appropriations		
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	33,981,503	35,637,712
Total administered appropriations	34,003,075	(I1)⁽¹⁾ 35,654,126
Departmental appropriations		
Output Group 2.1 - Fiscal		
Output 2.1.1 - Budget policy advice and coordination	3,513	3,472
Output 2.1.2 - Commonwealth-State financial policy advice	2,009	3,247
Output 2.1.3 - Industry, environment and social policy advice	7,088	7,413
Subtotal Output Group 2.1	12,610	14,132
Output Group 2.2 - Revenue		
Output 2.2.1 - Taxation and income support policy advice	37,744	39,157
Subtotal Output Group 2.2	37,744	39,157
Total revenues from government (appropriations)	50,354	(C1)⁽¹⁾ 53,289
Contributing to price of departmental outputs	97%	97%
Revenue from other sources		
Goods and services	1,394	1,474
Other	155	164
Total revenue from other sources	1,549	1,638
Total price from departmental outputs		
(Total revenues from government and from other sources)	51,903	(E1)⁽¹⁾ 54,927
Total estimated resourcing for Outcome 2		
(Total price of outputs and administered appropriations)	34,054,978	35,709,053
	2003-04	2004-05
Average staffing level (number)	408	402

1. C1, E1 and I1 show the links back to Table 1.1.

OUTCOME 2 — CONTRIBUTION OF OUTPUTS

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

More specifically, in the coming year the Department of the Treasury 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 Australian Government'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 transparency whilst minimising compliance and administrative costs;
- 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 2004-05, the Department of the Treasury will devote significant resources to:

- production of the *2004-05 Mid-Year Economic and Fiscal Outlook*, *2005-06 Budget*, and *Pre-Election Economic and Fiscal Outlook*;
- providing advice on those issues identified by the Australian Government as its key strategic priorities (including demographic changes, work and family policies, health, education, energy, defence and national security, science and innovation, the environment and rural and regional policy);
- public consultation on the Australian Government's Discussion Paper *Australia's Demographic Challenges*;

- a review, in conjunction with the States and Territories, to consider the simplification of horizontal fiscal equalisation principles;
- implementing decisions arising from the Australian Government's Review of the System of Self Assessment for Income Tax Returns;
- improving processes and outputs in the development of advice on taxation and superannuation policies (including consultation processes and design of legislation);
- continuing to implement decisions arising from the review of international taxation; and
- further stages in legislation relating to the taxation of financial arrangements, the definition of charities, penalties for tax scheme promoters, foreign resident withholding and a substantial programme of other tax legislation.

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 2004-05*.

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

Financial Reporting Council — improved accounting and auditing standards-setting arrangements

The Government will provide \$3.4 million in 2004-05 as part of the implementation of Part 9 of the Corporate Law Economic Reform Programme (CLERP 9). These funds will support the Financial Reporting Council in its expanded role of overseeing auditor independence and the audit standard setting arrangements, the establishment of the Financial Reporting Panel and the reconstitution of the Auditing and Assurance Standards Board.

The Financial Reporting Panel will be established to provide a non-binding mechanism for the resolution of disputes between the Australian Securities and Investments Commission and companies, as an alternative to legal proceedings, in the application of accounting standards. The Auditing and Assurance Standards Board will be reconstituted to provide a statutory basis for auditing standards-setting.

Provision has also been made in the contingency reserve for the forward years, subject to the level of ongoing funding for this measure being determined in the 2005-06 Budget.

Royal Australian Mint — additional capital funding

The Government will provide \$2.5 million in 2007-08 to fund the final year of the Royal Australian Mint's capital equipment replacement programme. The Mint has previously received funding of \$9.5 million for the first four years of a five-year capital programme to replace its antiquated coin producing equipment.

OUTCOME 3 — RESOURCING

Table 2.1.3 shows how the 2004-05 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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Administered appropriations		
Annual appropriations		
Compensation - companies regulation	155,853	159,799
Housing Loans Insurance Company Limited		
- payments in respect of insurance claims	10,000	9,000
Special appropriations		
<i>Superannuation Industry (Supervision) Act 1993</i>	13,783	-
Total administered appropriations	179,636	(I1) ⁽¹⁾ 168,799
Departmental appropriations		
Output Group 3.1 - Markets		
Output 3.1.1 - Foreign investment policy advice and administration	3,622	3,726
Output 3.1.2 - Financial system and corporate governance policy advice	17,863	20,353
Output 3.1.3 - Competition and consumer policy advice	8,413	8,314
Output 3.1.4 - Actuarial services	-	-
Output 3.1.5 - Circulating coin and like products	-	-
Total revenues from government (appropriations)	29,898	(C1) ⁽¹⁾ 32,393
Contributing to price of departmental outputs	39%	40%
Revenue from other sources		
Goods and services	45,408	46,789
Other	873	904
Total revenue from other sources	46,281	47,693
Total price from departmental outputs		
(Total revenues from government and from other sources)	76,179	(E1) ⁽¹⁾ 80,086
Estimated payments from special account balances⁽²⁾		
Australian Government Actuary	1,500	1,500
Lloyd's Deposit Fund	190	-
Royal Australian Mint and Coinage Trust	118,889	75,000
Trustee Companies (ACT) Deposit Trust Fund	10	-
Total departmental special account outflows	120,589	76,500
Total estimated resourcing for Outcome 3		
(Total price of outputs and administered appropriations)	255,815	248,885
	2003-04	2004-05
Average staffing level (number)⁽³⁾	307	298

1. C1, E1 and I1 show the links back to Table 1.1.

2. Further details on special accounts appear in Table 1.6.

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 Australian Government on foreign investment proposals and on general foreign investment policy matters, including representing Australia's foreign investment policy and negotiating position on international investment policy issues. In addition, the Department of the Treasury promotes awareness and understanding of the Australian 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 and more complex operational matters and policy development. This includes oversight for the prudential supervision and conduct of financial institutions, financial markets and service providers (including in the areas of banking, insurance and superannuation) that are supervised by the Australian Prudential Regulatory Authority (APRA) and the Australian Securities and Investments Commission. The Department of the Treasury monitors issues and developments in the financial services sector, and provides advice on their policy implications. In 2004-05, the Department of the Treasury will continue to provide advice on policy issues emerging in the general insurance sector, including the recommendations of the HHH Royal Commission and implementation of the *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*.

Other policy priorities will include further reforms to the general insurance regime and harmonisation of APRA's enforcement powers across supervised industries. There will also be continuation of amendments to Commonwealth legislation to support State and Territories insurance liability law reform. Participation will continue in the Insurance Issues Working Group of the Heads of Treasuries, to progress reforms to improve the availability and affordability of various classes of insurance.

The Department of the Treasury will provide policy advice to the Australian Government on a range of initiatives to more closely integrate the Australian and New Zealand markets, including in the areas of prudential supervision of banking, consumer and competition law and administration, fundraising and accounting standards.

Policy advice relating to the HHH Assistance Scheme will continue to be provided to the Australian 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 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 oversight the new system of financial services regulation. The legislation introducing the new system commenced full operation on 11 March 2004. 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.

Legislation implementing reforms covering independence of auditors, legislative backing for auditing standards as well as corporate governance more broadly was introduced into the Parliament in December 2003.

Secretariat services will continue to be provided to the Financial Reporting Council (FRC) which oversees Australia's accounting standard setting arrangements. The FRC will have a future role overseeing 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 Department of the Treasury provides advice on competition and consumer policy matters and advises on legislative amendments to the *Trade Practices Act 1974*. In addition, the Department of the Treasury 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.

Consumer policy advice will focus on regulatory and non-regulatory options to promote consumer welfare. 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. In the area of product safety, regulatory powers under the *Trade Practices Act 1974* will be appropriately used, relevant voluntary safety standards will be developed and the removal of unsafe products from the market will be facilitated.

The Department of the Treasury will continue to provide secretariat services to support the Consumer and Financial Literacy Taskforce which was established in February 2004 to develop a national strategy for consumer information provision in Australia. The taskforce includes high profile representation from the public, private and community sectors and is due to report to government in August 2004.

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 (the Mint) has responsibility for producing circulating and numismatic coin for Australia and maintaining the National Coin Collection and promoting public understanding about the cultural and historical significance of coins.

In 2004-05 the Mint will be continuing its capital equipment upgrade commenced in 2003-04. The Department of the Treasury will continue to chair the Mint 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 formula, 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. Implementation of Australia's commitments on investment in the 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 five days to around 27,000 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. 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. Produce circulating coin to Reserve Bank of Australia forecasts. Meets financial performance targets. Maintain the National Coin Collection and the Royal Australian Mint's Visitors Gallery and promote public understanding about the cultural and historical significance of coins.

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 2004-05*.

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED DEPARTMENTAL FINANCIAL STATEMENTS

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

Departmental

The Department of the Treasury is budgeting towards a breakeven operating result for 2004-05.

The Department of the Treasury will receive additional revenues in 2004-05 of \$10.6 million. This increase relates to increased sales of good and services by the Royal Australian Mint and new funding provided to the Department of the Treasury for Budget measures (see Table 1.2).

The Department of the Treasury has a sound financial position and currently has sufficient cash to fund provisions and payables, and asset replacement.

Administered

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

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 indicates the sustainability of the Department of the Treasury's finances.

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 Australian Government.

Note of budgeted administered financial position

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

Note of budgeted administered cash flows

This note shows cash flows administered on behalf of the Australian 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**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	99,965	(K1) ⁽¹⁾ 109,064	105,996	106,928	108,009
Goods and services	48,445	49,970	50,260	50,596	50,470
Other	80	80	80	80	80
Total revenues from ordinary activities	148,490	159,114	156,336	157,604	158,559
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	74,948	77,625	79,397	82,443	86,343
Suppliers	70,978	75,223	70,346	68,095	63,632
Depreciation and amortisation	5,322	5,658	5,985	6,458	7,976
Total expenses from ordinary activities (excluding borrowing costs expense)	151,248	158,506	155,728	156,996	157,951
Borrowing costs expense	158	158	158	158	158
Operating surplus or (deficit) from ordinary activities	(2,916)	450	450	450	450
Income tax expense	(450)	(450)	(450)	(450)	(450)
Net surplus or (deficit)	(3,366)	-	-	-	-

1. K1 shows the link back to Table 1.1.

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	11,159	11,462	12,421	13,548	14,585
Receivables	18,921	25,364	27,564	27,859	29,309
Total financial assets	30,080	36,826	39,985	41,407	43,894
Non-financial assets					
Land and buildings	7,279	6,506	5,708	4,911	4,743
Infrastructure, plant and equipment	13,709	14,550	15,684	16,587	17,778
Inventories	12,500	12,500	12,500	12,500	12,500
Intangibles	2,450	2,532	2,560	3,924	3,447
Other	6,745	6,708	6,703	6,516	6,147
Total non-financial assets	42,683	42,796	43,155	44,438	44,615
Total assets	72,763	79,622	83,140	85,845	88,509
LIABILITIES					
Interest bearing liabilities					
Leases	3,276	3,276	3,276	3,276	3,276
Deposits	120	120	120	120	120
Total interest bearing liabilities	3,396	3,396	3,396	3,396	3,396
Provisions					
Employees	27,405	25,943	26,760	27,256	28,021
Total provisions	27,405	25,943	26,760	27,256	28,021
Payables					
Suppliers	3,746	4,718	4,714	4,571	4,289
Other	2,707	2,675	2,670	2,507	2,188
Total payables	6,453	7,393	7,384	7,078	6,477
Total liabilities	37,254	36,732	37,540	37,730	37,894
EQUITY					
Parent entity interest					
Contributed equity	10,203	17,584	20,294	22,809	25,309
Reserves	5,482	5,482	5,482	5,482	5,482
Retained surpluses or accumulated deficits	19,824	19,824	19,824	19,824	19,824
Total parent entity interest	35,509	42,890	45,600	48,115	50,615
Total equity	35,509	42,890	45,600	48,115	50,615
Current assets	45,665	52,374	55,528	56,763	58,881
Non-current assets	27,098	27,248	27,612	29,082	29,628
Current liabilities	9,975	8,931	9,172	8,886	8,564
Non-current liabilities	27,279	27,801	28,368	28,844	29,330

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	96,171	107,226	103,923	106,634	106,535
Goods and services	48,525	50,050	50,340	50,676	50,550
Cash from Official Public Account	5,216	-	-	-	-
Other	6,357	6,673	6,764	6,549	6,116
Total cash received	156,269	163,949	161,027	163,859	163,201
Cash used					
Employees	72,057	78,547	78,040	81,407	82,038
Suppliers	77,217	76,011	72,768	70,244	68,447
GST payments (departmental)	4,364	4,837	5,013	5,060	5,049
Interest and other financing costs	608	608	608	608	608
Other	-	5,216	-	-	-
Total cash used	154,246	165,219	156,429	157,319	156,142
Net cash from or (used by) operating activities	2,023	(1,270)	4,598	6,540	7,059
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	6,202	5,808	6,349	7,928	8,522
Total cash used	6,202	5,808	6,349	7,928	8,522
Net cash from or (used by) investing activities	(6,202)	(5,808)	(6,349)	(7,928)	(8,522)
FINANCING ACTIVITIES					
Cash received					
Cash from capital injections	11,127	7,381	2,710	2,515	2,500
Total cash received	11,127	7,381	2,710	2,515	2,500
Cash used					
Dividends paid	5,000	-	-	-	-
Total cash used	5,000	-	-	-	-
Net cash from or (used by) financing activities	6,127	7,381	2,710	2,515	2,500
Net increase/(decrease) in cash held	1,948	303	959	1,127	1,037
Cash at the beginning of the reporting period	9,211	11,159	11,462	12,421	13,548
Cash at the end of the reporting period	11,159	11,462	12,421	13,548	14,585

Table 3.4: Departmental Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	11,127	2,165	2,710	2,515	2,500
Previous year's outputs	-	5,216	-	-	-
Total	-	(K3) ⁽¹⁾ 7,381	-	-	-
Represented by					
Purchase of non-current assets	2,127	2,165	2,710	2,515	2,500
Other	9,000	5,216	-	-	-
Total	11,127	7,381	2,710	2,515	2,500
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	2,127	2,165	2,710	2,515	2,500
Funded internally by departmental resources	4,075	3,643	3,639	5,413	6,022
Total	6,202	5,808	6,349	7,928	8,522

1. K3 shows the link back to Table 1.1.

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	13,709	-	2,450	-	16,159
Additions	-	-	-	2,673	-	970	-	3,643
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(1,832)	-	(888)	-	(2,720)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	14,550	-	2,532	-	17,082
Represented by								
Self funded	-	-	-	2,673	-	970	-	3,643
Appropriations	-	-	-	2,165	-	-	-	2,165
Total represented by	-	-	-	4,838	-	970	-	5,808

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Taxation					
Goods and services tax	(34,250,000)	(35,280,000)	(37,460,000)	(39,620,000)	(41,810,000)
Other taxes	75,000	90,000	90,000	90,000	100,000
Total taxation	(34,175,000)	(35,190,000)	(37,370,000)	(39,530,000)	(41,710,000)
Non-taxation					
Revenues from government	34,196,379	(K2) ⁽¹⁾ 35,837,792	37,659,163	38,979,689	41,123,991
Goods and services	541,877	582,300	595,000	607,977	621,237
Interest	7,991	3,637	479	-	-
Dividends	2,264,000	746,000	1,028,000	1,139,000	1,235,000
Net foreign exchange gains	130,061	-	-	-	-
Other	105,925	100,089	115,438	117,916	116,976
Total non-taxation	37,246,233	37,269,818	39,398,080	40,844,582	43,097,204
Total revenues administered on behalf of Government	3,071,233	2,079,818	2,028,080	1,314,582	1,387,204
EXPENSES					
Grants	858,928	1,283,925	956,351	167,904	172,193
Write down and impairment of assets	(305,000)	(315,000)	(330,000)	(355,000)	(375,000)
Net foreign exchange losses	-	95	-	-	-
Other	132,202	23,772	22,785	21,785	21,785
Total expenses administered on behalf of Government	686,130	992,792	649,136	(165,311)	(181,022)

1. K2 shows the link back to Table 1.1.

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	5,665	5,665	5,665	5,665	5,665
Receivables	(654,085)	(1,905,246)	(2,767,843)	(3,295,213)	(3,833,605)
Investments	15,121,599	15,121,599	15,121,599	15,121,599	15,121,599
Total financial assets	14,473,179	13,222,018	12,359,421	11,832,051	11,293,659
Non-financial assets					
Other	397,785	573	494	478	478
Total non-financial assets	397,785	573	494	478	478
Total assets administered on behalf of Government	14,870,964	13,222,591	12,359,915	11,832,529	11,294,137
LIABILITIES					
Interest bearing liabilities					
Loans	3,385,344	3,380,690	3,378,468	3,376,801	3,375,690
Other	925,541	925,541	925,541	925,541	925,541
Total interest bearing liabilities	4,310,885	4,306,231	4,304,009	4,302,342	4,301,231
Provisions					
Other	(347,711)	(351,580)	(354,004)	(355,508)	(355,508)
Total provisions	(347,711)	(351,580)	(354,004)	(355,508)	(355,508)
Payables					
Suppliers	3,772	3,772	3,772	3,772	3,772
Grants	427,919	298,177	198,607	124,346	68,566
Subsidies	183	183	183	183	183
Other	6,081	1,459	1,459	1,459	1,452
Total Payables	437,955	303,591	204,021	129,760	73,973
Total liabilities administered on behalf of Government	4,401,129	4,258,242	4,154,026	4,076,594	4,019,696
Current assets	(80,460)	(666,092)	(921,562)	(1,098,231)	(1,278,593)
Non-current assets	14,951,424	13,788,683	13,281,477	12,930,760	12,572,730
Current liabilities	20,878	16,028	11,714	7,884	5,384
Non-current liabilities	4,380,251	4,242,214	4,142,312	4,068,710	4,014,312

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	7,991	3,637	479	-	-
Dividends	1,300,000	1,390,000	1,348,000	1,139,000	1,235,000
Appropriation receipts	34,338,628	35,964,932	37,756,206	39,051,450	41,177,278
Other	702,755	749,612	778,816	795,014	818,318
Total cash received	36,349,374	38,108,181	39,883,501	40,985,464	43,230,596
Cash used					
Grant payments	858,928	1,283,925	956,351	167,904	172,193
Cash to Official Public Account	2,010,746	2,143,249	2,127,295	1,934,014	2,053,318
Other	33,479,700	34,681,007	36,799,855	38,883,546	41,005,085
Total cash used	36,349,374	38,108,181	39,883,501	40,985,464	43,230,596
Net cash from or (used by) operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Cash from Official Public Account	11,880	11,878	4,722	4,167	3,611
Total cash received	11,880	11,878	4,722	4,167	3,611
Cash used					
Purchase of equity instruments	11,880	11,878	4,722	4,167	3,611
Total cash used	11,880	11,878	4,722	4,167	3,611
Net cash from or (used by) investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	64,051	64,051	14,804	-	-
Cash from capital injections	221,334	-	-	-	-
Other	228,288	-	-	-	-
Total cash received	513,673	64,051	14,804	-	-
Cash used					
Cash to Official Public Account	292,339	64,051	14,804	-	-
Other	221,334	-	-	-	-
Total cash used	513,673	64,051	14,804	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	5,665	5,665	5,665	5,665	5,665
Cash at end of reporting period	5,665	5,665	5,665	5,665	5,665

Table 3.9: Note of Administered Capital Budget

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
CAPITAL APPROPRIATIONS					
Administered capital	7,224	7,223	4,722	4,167	3,611
Special appropriation	763,932	131,897	97,070	71,761	53,280
Total	771,156	(K4) ⁽¹⁾ 139,120	101,792	75,928	56,891
Represented by:					
Other	771,156	139,120	101,792	75,928	56,891
Total	771,156	139,120	101,792	75,928	56,891

1. K4 shows the link back to Table 1.1.

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 Australian Government'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 Australian 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 (the Mint). Any profit earned by the Mint, taking into account working capital requirements, is returned to the Australian Government.

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

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Department of the Treasury does not presently have any purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

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 intergovernmental charging, taxation, or comply with competitive neutrality principles.

AUSTRALIAN BUREAU OF STATISTICS

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Australian Bureau of Statistics (ABS):

- is the central statistical authority for the Australian Government;
- provides statistical services for the State and Territory Governments;
- collects, compiles, analyses and disseminates statistics and related information;
- ensures the coordination of the statistical activities of, and provides advice and assistance to, other government agencies; and
- provides liaison between Australia and other countries and international organisations on statistical matters.

APPROPRIATIONS AND RESOURCING

The total appropriation for the ABS in the 2004-05 Budget is \$269.6 million. Table 1.1 on the following page provides this detail.

Australian Bureau of Statistics — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000			\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations	Total administered appropriations	Total appropriations
Outcome 1 - Informed decision making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service	Bill No. 1	Total		Bill No. 1	Bill No. 2		
	(A)	(B) (C = A+B) (C1) ⁽¹⁾	(D) (E = C+D) (E1) ⁽¹⁾	(F)	(G)	(H) (I = F+G+H)	(J = C+I)
	269,558	- 269,558 17,218	286,776	-	-	-	269,558
	269,558	94% 269,558	100% 286,776	-	-	-	269,558
Total		- (K1) ⁽¹⁾ 269,558 17,218	286,776	-	-	-	269,558
				Agency capital (equity injections and loans)			
				Administered capital			-
				Total appropriations			269,558

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	18,841	16,910
Proceeds from sales of assets	15	208
Other	100	100
Total non-appropriation agency revenues	18,956	17,218
Appropriation revenue	250,981	269,558
Total estimated agency revenues	269,937	286,776

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A ⁽¹⁾ B ⁽¹⁾	2004-05 2003-04 opening balance \$'000	2004-05 2003-04 receipts \$'000	2004-05 2003-04 payments \$'000	2004-05 2003-04 closing balance \$'000
SPECIAL ACCOUNTS					
Services for other governments and non-agency bodies ⁽²⁾	30 30	520 520	520 520	30 30	30 30
Other Trust Monies ⁽³⁾	14 14	- -	- -	14 14	14 14
Total special accounts	44	520	520	44	44

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).
2. This special account is departmental in nature and is governed by the *Safety Rehabilitation and Compensation Act 1998*.
3. This special account is departmental in nature and is governed by the *Financial Management and Accountability Act 1997*.

AGENCY EQUITY INJECTIONS AND LOANS

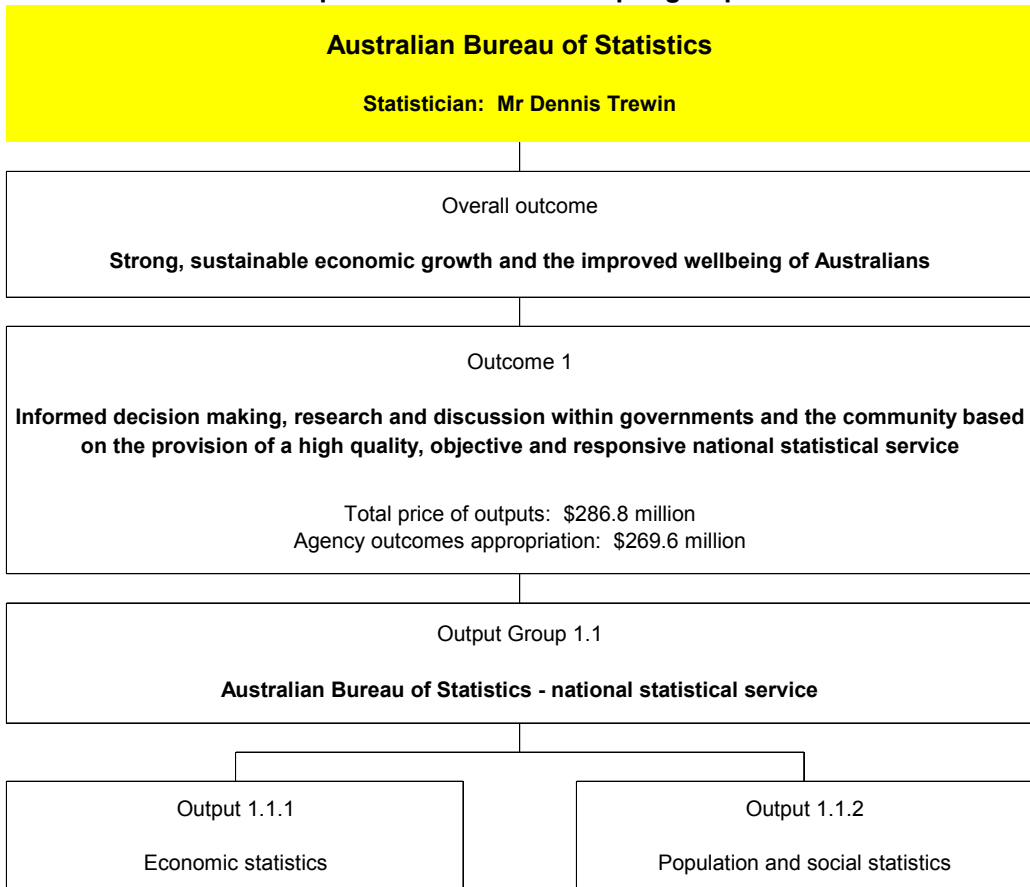
The ABS does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Australian Bureau of Statistics (ABS). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Map 2: Outcomes and output groups



CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

OUTCOME 1 — DESCRIPTION

Informed decision-making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service.

Measures affecting Outcome 1

There are no measures for the ABS in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Agency appropriations		
Output Group 1.1 - Australian Bureau of Statistics		
Output 1.1.1 - Economic statistics	131,570	140,170
Output 1.1.2 - Population and social statistics	119,411	129,388
Total revenues from government (appropriations)	250,981	(C1) ⁽¹⁾ 269,558
Contributing to price of agency outputs	93%	94%
Revenue from other sources		
Goods and services	18,841	16,910
Proceeds from sale of assets	15	208
Other	100	100
Total revenue from other sources	18,956	17,218
Total price from agency outputs		
(Total revenues from government and from other sources)	269,937	(E1) ⁽¹⁾ 286,776
Estimated payments from special account balances ⁽²⁾		
Services for other governments and non-agency bodies	520	520
Other Trust Monies	-	-
Total agency special account outflows	520	520
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	269,937	286,776
	2003-04	2004-05
Average staffing level (number)	2,746	2,684

1. C1 and E1 show the links back to Table 1.1.

2. Further details on special accounts appear in Table 1.6.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

Official statistics are collected by government to inform debate, decision-making and research both within government and by the wider community. They provide an objective perspective of the changes taking place in national life and allow comparisons between periods of time and geographical areas.

Open access to official statistics provides the citizen with more than a picture of society. It offers a window on the work and performance of government itself, showing the scale of government activity in every area of public policy and allowing the impact of public policies and actions to be assessed.

The ABS achieves its outcome by the provision of two outputs: (i) economic statistics and (ii) population and social statistics.

The economic statistics output contains an extensive range of statistical outputs relating to the structure and performance of the Australian economy. It provides an objective source of information that is used by governments and the community to inform their decisions. For example, economic statistics are used to formulate government macroeconomic policies, to assist in allocating Australian Government funds to State Governments, to formulate industry development policies, in financial and business planning and in wage determination.

The population and social statistics output contains statistical information relating to the Australian population, including census and demographic statistics, as well as information relating to the social and economic wellbeing of the population. It provides an objective source of information that is used by governments and the community to inform their decisions. For example, census data are used extensively to plan for communities; labour statistics are used in the formulation of macroeconomic policy and in developing government labour market policies and programmes; and social statistics are used to support policy development in areas such as health, social security, taxation, and community and family services.

Reliable social and economic statistics are fundamental to an open government and it is the responsibility of government to provide them and to maintain public confidence in them. The ABS performs this function as an independent statutory authority of the Australian Government.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Outcome	
Informed decision-making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service.	
Output measures	
1. Integrity in statistical operations	1.1 An objective statistical service, as demonstrated by: - release of reliable/accurate statistics; - open statistical process; and - trust and cooperation of providers.
2. Relevance of ABS output	2.1 Statistical output which meets the needs of key users of economic and social data in terms of: - support to decision-making; and - demonstrated by a high level of use. 2.2 Openness of planning process.
3. Appropriate use of statistical standards, frameworks and methodologies	3.1 Lead the development of national statistical standards, frameworks and methodologies, and their implementation within the broader Australian statistical system. 3.2 Contribute to the development of key international standards, frameworks and methodologies, and implement them as appropriate.
4. Improving coordination of the collection, compilation and dissemination of statistics produced by other official bodies	4.1 Statistical Clearing House activity. 4.2 Assisting other official bodies with integration of administrative and statistical data, including outposting ABS officers, and providing training on statistical standards, frameworks and methodologies. 4.3 Identifying, storing and disseminating statistics from other official bodies.

Table 2.2: Performance information for Outcome 1 (continued)

Output measures	
Output Group 1.1 - Australian Bureau of Statistics - national statistical service	
Output 1.1.1 - Economic statistics; and	
Output 1.1.2 - Population and social statistics	
1. Increase the quantity of outputs	1.1 Increase the range of statistics disseminated. 1.2 Innovative outputs.
2. Improve the quality of outputs	2.1 Achieve or exceed timeliness, statistical reliability, response rates and accuracy objectives: - timeliness; - statistical reliability; - response rates; and - accuracy. 2.2 Conduct ongoing research and reviews of quality and implement their recommendations: - outlines of ABS statistical reviews; and - innovative practices – improvements to existing collections as a result of research and development.
3. Achievement of cost effective outputs	3.1 Conduct efficiency reviews and audits, and implement their recommendations. 3.2 Test operating efficiencies of statistical activities by benchmarking internally and externally. 3.3 Market test a number of non-statistical activities to identify possible outsourcing opportunities. 3.4 Minimise respondent load.

EVALUATIONS

Output performance indicators (shown in Table 2.2) will be used to measure evaluation activity for this outcome. The results of the evaluation will be shown in the ABS Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Bureau of Statistics (ABS) 2003-04 Annual Report, and form the basis for the input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The ABS is budgeting for a nil operating surplus in 2004-05.

Total agency revenue is estimated to be \$286.8 million. This is an increase of \$16.8 million from the 2003-04 estimated actual.

This rise in revenue is primarily attributed to an increase in appropriations as a result of:

- an increase specifically related to the 2006 Census, as part of the normal Census cycle.
- \$4.5 million transfer of funding from 2007-08 to 2004-05.

Total expenses are estimated to be \$286.8 million, an increase of \$14.8 million from the 2003-04 estimated actual.

This increase in expenses can be attributed directly to the increase in employee and suppliers expenses associated with the preparations for the 2006 Census, as part of the normal Census cycle.

Budgeted agency statement of financial position

In 2004-05 the ABS's total equity will increase by \$0.2 million. This change is related to the capital injection as shown in the *2003-04 Portfolio Additional Estimates Statements* relating to the Budget Estimates and Framework Review.

The expected outlook for the ABS indicates that the asset base of the organisation will remain stable, with liabilities for employee provisions expected to increase in the out years. This increase is expected following the increase in staff numbers for the 2006 Census cycle.

The build up of cash in the out years is occurring due to reduced spending on a restructured capital programme. It is expected that the cash build-up will be utilised for additional capital purchases in the long term.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

Budgeted cash flows, as reflected in the statement of cash flows, provides 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.

Agency capital budget statement

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

Agency non-financial assets — summary of movement

This statement shows the movement in ABS's non-financial assets during the budget year.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	250,980	(K1) ⁽¹⁾ 269,558	299,817	384,469	282,249
Goods and services	18,841	16,910	19,392	15,144	20,330
Revenue from sales of assets	15	208	208	205	203
Other	100	100	100	100	100
Total revenues from ordinary activities	269,936	286,776	319,517	399,918	302,882
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	188,282	194,578	204,041	283,707	209,394
Suppliers	54,507	62,680	82,378	82,244	59,648
Depreciation and amortisation	27,779	28,532	30,249	30,773	31,202
Write-down of assets	6	10	13	35	7
Value of assets sold	7	1	1	9	-
Other	537	330	210	210	2,280
Total expenses from ordinary activities (excluding borrowing costs expense)	271,118	286,131	316,892	396,978	302,531
Borrowing costs expense	818	645	531	440	351
Operating surplus or (deficit) from ordinary activities	(2,000)	-	2,094	2,500	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	10,967	8,032	10,612	18,433	25,495
Receivables	4,265	4,194	4,644	8,044	4,988
Accrued revenues	286	285	285	285	285
Total financial assets	15,518	12,511	15,541	26,762	30,768
Non-financial assets					
Infrastructure, plant and equipment	38,499	35,210	37,670	33,118	27,227
Inventories	58	57	57	57	57
Intangibles	76,675	76,658	75,699	74,778	72,298
Other	8,466	8,099	7,732	7,406	7,081
Total non-financial assets	123,698	120,024	121,158	115,359	106,663
Total assets	139,216	132,535	136,699	142,121	137,431
LIABILITIES					
Interest bearing liabilities					
Loans	10,033	8,846	7,585	6,245	4,821
Leases	973	254	70	25	-
Other	29	-	-	-	-
Total interest bearing liabilities	11,035	9,100	7,655	6,270	4,821
Provisions					
Employees	65,504	60,536	62,183	63,717	64,559
Total provisions	65,504	60,536	62,183	63,717	64,559
Payables					
Suppliers	3,168	3,398	4,190	4,294	3,127
Other	5,115	5,107	6,183	8,852	5,936
Total payables	8,283	8,505	10,373	13,146	9,063
Total liabilities	84,822	78,141	80,211	83,133	78,443
EQUITY					
Parent entity interest					
Contributed equity	11,498	11,498	11,498	11,498	11,498
Reserves	7,519	7,519	7,519	7,519	7,519
Retained surpluses or accumulated deficits	35,377	35,377	37,471	39,971	39,971
Total parent entity interest	54,394	54,394	56,488	58,988	58,988
Total equity	54,394	54,394	56,488	58,988	58,988
Current assets	24,042	21,851	22,462	31,484	33,430
Non-current assets	115,174	110,684	114,237	110,637	104,001
Current liabilities	40,559	34,484	37,132	40,271	36,690
Non-current liabilities	44,263	43,657	43,079	42,862	41,753

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	250,981	269,558	299,817	384,469	282,249
Goods and services	23,154	16,862	19,424	14,340	21,413
Other	7,000	7,930	10,090	9,593	7,882
Total cash received	281,135	294,350	329,331	408,402	311,544
Cash used					
Employees	184,713	193,874	202,042	282,079	208,552
Suppliers	63,104	68,489	81,496	82,410	64,214
Other	7,308	8,006	10,237	9,607	7,639
Total cash used	255,125	270,369	293,775	374,096	280,405
Net cash from or (used by) operating activities	26,010	23,981	35,556	34,306	31,139
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	15	208	208	205	203
Total cash received	15	208	208	205	203
Cash used					
Purchase of property, plant and equipment	24,970	25,227	31,751	25,309	22,831
Total cash used	24,970	25,227	31,751	25,309	22,831
Net cash from or (used by) investing activities	(24,955)	(25,019)	(31,543)	(25,104)	(22,628)
FINANCING ACTIVITIES					
Cash received					
Other	247	-	-	-	-
Total cash received	247	-	-	-	-
Cash used					
Repayments of debt	1,989	710	172	41	25
Other	1,117	1,187	1,261	1,340	1,424
Total cash used	3,106	1,897	1,433	1,381	1,449
Net cash from or (used by) financing activities	(2,859)	(1,897)	(1,433)	(1,381)	(1,449)
Net increase/(decrease) in cash held	(1,804)	(2,935)	2,580	7,821	7,062
Cash at the beginning of the reporting period	12,771	10,967	8,032	10,612	18,433
Cash at the end of the reporting period	10,967	8,032	10,612	18,433	25,495

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	247	-	-	-	-
Funded internally by agency resources	24,723	25,227	31,751	25,309	22,831
Total	24,970	25,227	31,751	25,309	22,831

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	38,499	-	76,675	-	115,174
Additions	-	-	-	9,908	-	15,319	-	25,227
Disposals	-	-	-	(6,428)	-	(400)	-	(6,828)
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(13,196)	-	(15,336)	-	(28,532)
Other movements	-	-	-	6,427	-	400	-	6,827
Carrying amount at the end of year	-	-	-	35,210	-	76,658	-	111,868
Represented by								
Self funded	-	-	-	9,908	-	15,319	-	25,227
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	9,908	-	15,319	-	25,227

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The agency budget statements have been prepared on an accrual basis and in accordance with historical cost convention, except for certain assets, which are at valuation.

Budgeted agency financial statements

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

Agency assets, liabilities, revenues and expenses in relation to an agency are those that 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.

Budgeted agency statement of financial performance

Revenues

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, the ABS is appropriated only for the price of its outputs, which represent the Australian Government's purchase of these agreed outputs.

Revenue from other sources

The decrease in revenue from other sources in 2003-04 and 2004-05 is due to the additional revenue associated with the sales of census output during the last financial year.

Other

This category includes resources received free of charge.

Expenses

Employees

This includes wages and salaries, superannuation, provision for annual leave and long service leave, and workers compensation. Employee entitlements are based on leave patterns of ABS employees. Accrued salaries and employer superannuation contributions are based on daily salary expense and the number of days owing at 30 June in each budget year.

Depreciation and amortisation

Depreciable assets are written off over their estimated useful lives. Depreciation is calculated using the straight-line method, which is consistent with the consumption of the service potential of the depreciable assets of the ABS.

Budgeted agency statement of financial position

Non-financial assets

Intangibles

These include software developed in-house.

Inventory

ABS inventory includes publications of statistics both in print and on CD. These levels are expected to remain stable in the out years.

Other

This category includes prepayments.

Debt

Loans

The ABS received a loan of \$13.2 million in 2001-02. This loan was used to partially fund the fitout of the ABS's new national office accommodation. Loan repayments will be made over a ten year period and are being met by the ABS from within its ongoing operational funding levels.

Leases

These include lease incentives in the form of a rent-free period and/or a contribution to fitout costs. Lease incentives are recognised as a liability, which is reduced by allocating lease rental payments between interest, rental expense and reduction of the liability.

Provisions and payables

Employees

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows in respect of all employees.

Asset valuation

Australian Government agencies and authorities are required to value property, plant and equipment and other infrastructure assets using the deprival method of valuation. This essentially reflects the current cost the entity would face in replacing that asset.

Capital budget statement

This shows proposed capital expenditure for the ongoing replacement programme of non-financial assets. This asset replacement programme is funded internally.

Purchase of non-financial assets

These include:

- 2003-04 intangibles of \$14.7 million, infrastructure, plant and equipment of \$10.3 million, which includes fitout to the Western Australian and South Australian offices of \$1.3 million;
- 2004-05 intangibles of \$15.3 million, infrastructure, plant and equipment of \$9.9 million, which includes fitout to the New South Wales, Queensland and Census offices of \$2.7 million;
- 2005-06 intangibles of \$14.8 million, infrastructure, plant and equipment of \$17.0 million, which includes fitout to the Queensland, Victorian and Census offices of \$5.1 million;
- 2006-07 intangibles of \$14.9 million, infrastructure, plant and equipment of \$10.4 million, which includes fitout to the Australian Capital Territory, South Australian and Tasmanian offices of \$4.5 million; and
- 2007-08 intangibles of \$14.8 million, infrastructure, plant and equipment of \$8.0 million, which includes fitout to the Western Australian and Census offices of \$1.4 million.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

Cross agency overview

The Australian Bureau of Statistics' (ABS) goods and services are purchased by several Australian Government agencies. Some of our material clients are as follows:

- Australian Agency for International Development
- Australian Institute of Health and Welfare
- Department of Agriculture, Fisheries and Forestry-Australia
- Department of Education, Science and Training
- Department of Communications, Information Technology and the Arts
- Department of Employment and Workplace Relations
- Department of Family and Community Services
- Department of Health and Ageing; and
- Department of Transport and Regional Services

COST RECOVERY ARRANGEMENTS

Cost recovery guidelines have been developed by the ABS in relation to the various goods and services paid for by clients. This amounts to \$16.9 million in 2004-05.

Summary of cost recovery impact statement

The ABS will complete a cost recovery impact statement during 2005-06.

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Australian Competition and Consumer Commission (ACCC) is an independent statutory authority which administers the *Trade Practices Act 1974* and performs functions under other Commonwealth legislation and State and Territory Competition Policy Reform Acts.

The ACCC seeks to:

- promote effective competition and informed markets;
- encourage fair trading and protect consumers; and
- regulate the infrastructure services market and other markets where competition is restricted.

The ACCC also collects administered revenue on behalf of the Australian Government and this includes authorisation fees, fines and costs.

APPROPRIATIONS AND RESOURCING

The total appropriation for the ACCC in the 2004-05 Budget is \$121.8 million. Table 1.1 on the following page provides this detail.

Table 1.2 details funding provided for new budget measures in 2004-05.

Australian Competition and Consumer Commission — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000		\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations	Total appropriations
	Bill No. 1	Special approps	Total	Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)	
	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(D)	(E = C+D) (E1) ⁽¹⁾	(J = C+I)
Outcome 1 - To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	97,807	-	97,807	460	98,267	97,807
			100%	0%	100%	
Total	97,807	-	(K1) ⁽¹⁾ 97,807	460	98,267	97,807
	Agency capital (equity injections and loans)					(K3) ⁽¹⁾ 23,959
	Administered capital					-
	Total appropriations					121,766

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance. K3 refers to information provided in Table 3.4, Agency Capital Budget Statement.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN COMPETITION AND CONSUMER COMMISSION SUMMARY

Table 1.2: Summary of measures disclosed in the 2004-05 Budget

Measure	Outcome	Output Groups affected	2004-05			2005-06			2006-07			2007-08		
			appropriations budget \$'000			appropriations forward estimate \$'000			appropriations forward estimate \$'000			appropriations forward estimate \$'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
Australian Competition and Consumer Commission - strengthening capacity to foster competitive, fair and informed Australian markets	1	1.1	-	24,000	24,000	-	8,400	8,400	-	7,100	7,100	-	7,200	7,200
Australian Competition and Consumer Commission - strengthening capacity to foster competitive, fair and informed Australian markets	1	1.1	-	-	-	-	-	-	-	-	-	-	-	-
<i>(Related capital)</i>														
Australain Energy Regulator	1	1.1	-	6,470	6,470	-	-	-	-	-	-	-	-	-
Australain Energy Regulator														
<i>(Related capital)</i>	1	1.1	-	1,959	1,959	-	-	-	-	-	-	-	-	-

AGENCY AND ADMINISTERED REVENUES

Table 1.3: Agency and administered revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	400	400
Other	60	60
Total non-appropriation agency revenues	460	460
Appropriation revenue	74,148	97,807
Total estimated agency revenues	74,608	98,267
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
Fines and costs	24,567	10,000
Total non-appropriation administered revenues	24,567	10,000
Total estimated agency and administered revenues	99,175	108,267

Note: one per cent of revenues are due to cost recovery arrangements.

Revenues include goods and services (that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets).

MOVEMENT OF ADMINISTERED FUNDS FROM 2003-04 TO 2004-05

Table 1.4: Movement of administered funds from 2003-04 to 2004-05

Movement of funding between years	\$ 14.6 million
-----------------------------------	-----------------

The reduction for 2004-05 reflects a one-off fine of \$14.6 million (revenue) expected to be received in 2003-04 which was a penalty ordered as part of the ACCC action against a transformer cartel.

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
	B ⁽¹⁾	2003-04	2003-04	2003-04	2003-04
		opening balance	receipts	payments	closing balance
		\$'000	\$'000	\$'000	\$'000
SPECIAL ACCOUNTS					
Other Trust Account ⁽²⁾		375	-	7	368
		382	-	7	375
Electricity regulation ⁽³⁾		-	10,769	10,369	400
		-	-	-	-
Total special accounts		375	10,769	10,376	768

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).
2. This special account is departmental in nature and is governed by section 20 of the *Financial Management and Accountability Act 1997*.
3. It is intended that the special account for the proposed Australian Energy Regulator will be governed by separate enabling legislation.

The Special Public Monies are held by the ACCC in a Trustee capacity. The Trust monies are a result of a court order of which payment to the beneficiary is pending. These monies are temporarily held for the benefit of a person or entity other than the Commonwealth.

A special account is proposed for the operations of the proposed Australian Energy Regulator. The establishment of the Australian Energy Regulator is subject to new legislation.

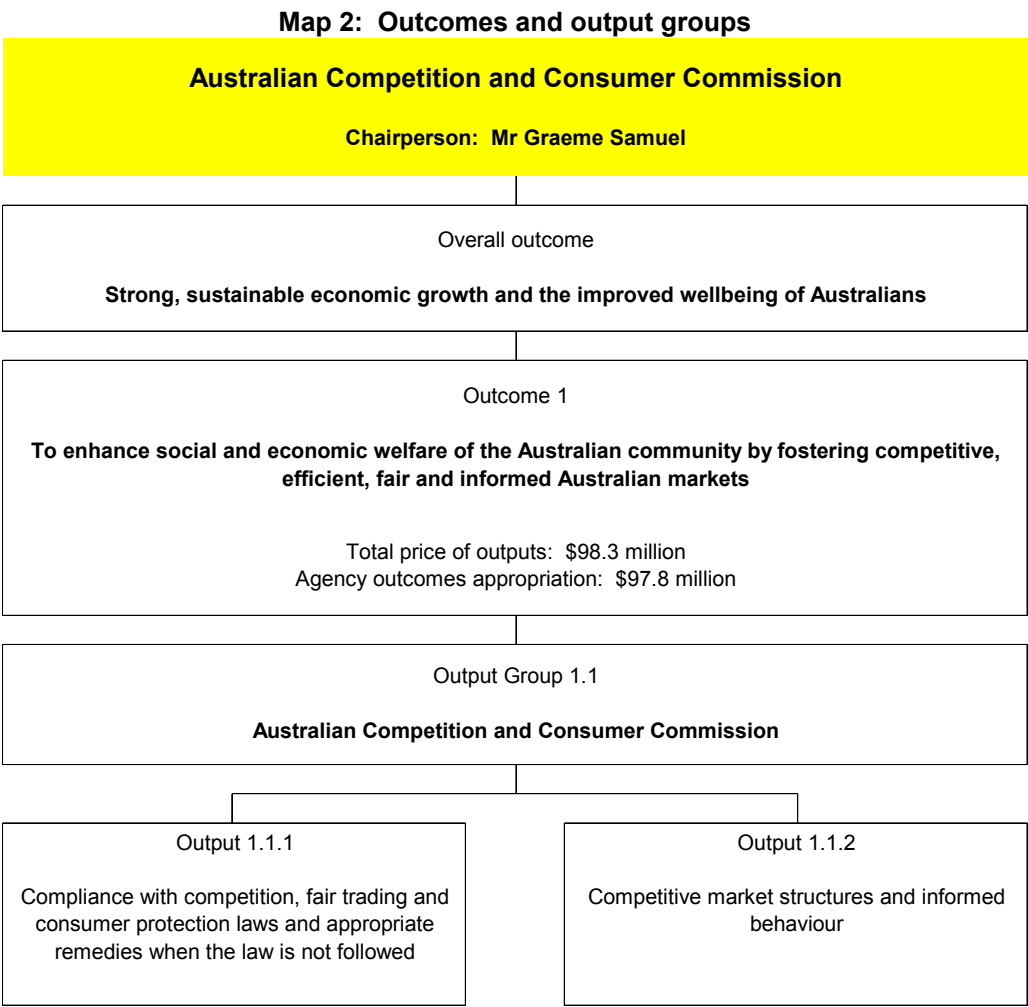
AGENCY EQUITY INJECTIONS AND LOANS

The ACCC will receive an equity injection of \$23.9 million in the 2004-05 Budget. An amount of \$22.0 million is to fund the deficit in ACCC's cash balance as a result of past operating losses and to increase the litigation contingency fund to its originally intended level. The balance of \$1.9 million is the establishment capital costs of the proposed Australian Energy Regulator.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Australian Competition and Consumer Commission (ACCC). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.



Output cost attribution

The ACCC uses a process of cost allocation to estimate the costs of each output in Table 2.1.

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.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

OUTCOME 1 — DESCRIPTION

To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets.

The ACCC's role is to administer the *Trade Practices Act 1974* and to perform functions under other Commonwealth legislation and State and Territory Competition Policy Reform Acts.

The ACCC seeks to:

- promote effective competition and informed markets;
- encourage fair trading and protect consumers; and
- regulate the infrastructure services market and other markets where competition is restricted.

Measures affecting Outcome 1

Australian Competition and Consumer Commission — strengthening capacity to foster competitive, fair and informed Australian markets

The Government will provide \$46.7 million over four years and a \$22 million equity injection in 2004-05 to enable the Australian Competition and Consumer Commission to effectively deal with an increased number of matters and maintain its levels of service delivery to the community.

The provision of an equity injection is a financial transaction within the general government sector and consequently has no direct impact on the fiscal balance.

Australian Energy Regulator

The Government will provide \$8.4 million in 2004-05 (including \$1.9 million capital funding) to fund the establishment of the Australian Energy Regulator. The total cost of the Regulator in 2004-05 is expected to be \$10.7 million, of which \$2.3 million represents a transfer from existing funding of the Australian Competition and Consumer Commission.

The Regulator, expected to be established by 1 July 2004, will have initial responsibility for the economic regulation of wholesale electricity and transmission networks and key rule enforcement functions. The Regulator will exercise powers under an agreed new national energy legislative framework, and undertake the sector-specific regulatory functions previously exercised by the Australian Competition and Consumer Commission and the National Electricity Code Administrator.

The responsibilities of the Regulator are to be extended to include gas transmission by 30 June 2005 and distribution and retailing (other than retail pricing) by 2006, following development of an agreed national framework.

The Regulator will be a constituent part of the Australian Competition and Consumer Commission but will also operate as a separate legal entity.

The cost of the establishment and operation of the Regulator will be recovered from industry once an appropriate mechanism is established.

Future funding for the Regulator will be considered in the context of the 2005-06 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Agency appropriations		
Output Group 1.1 - Australian Competition and Consumer Commission		
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	48,382	59,597
Output 1.1.2 - Competitive market structures and informed behaviour	25,766	38,210
Total revenues from government (appropriations)	74,148	(C1) ⁽¹⁾ 97,807
Contributing to price of agency outputs	99%	100%
Revenue from other sources		
Goods and services	400	400
Other	60	60
Total revenue from other sources	460	460
Total price from agency outputs		
(Total revenues from government and from other sources)	74,608	(E1) ⁽¹⁾ 98,267
Estimated payments from special account balances⁽²⁾		
Other Trust Monies	7	7
Electricity regulation	-	10,369
Total agency special account outflows	7	10,376
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	74,608	98,267
Average staffing level (number)	447	475

1. C1 and E1 show the links back to Table 1.1.

2. Further details on special accounts appear in Table 1.6.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The ACCC's outputs of compliance with laws and competitive market structures reflect the Australian Government's decision to foster competitive, efficient, fair and informed Australian markets.

The outputs reflect the activity that the ACCC undertakes to fulfil its role and functions. The Australian Government seeks to enhance the social and economic welfare of Australians, which the ACCC seeks to contribute by:

- promoting effective competition and informed markets;
- encouraging fair trading and protecting consumers; and
- regulating the infrastructure services market and other markets where competition is restricted.

The ACCC commits to meet these goals through effective and timely outcomes in the public interest, and to communicating its actions and results to the community at large.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for administered items (including third party outputs)	
Output Group 1.1 - Australian Competition and Consumer Commission	
Outputs 1.1.1 and 1.1.2 -	Collection of Statutory fees and judgement debts.
Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed. Competitive market structures and informed behaviour	
Performance information for agency outputs	
Output Group 1.1 - Australian Competition and Consumer Commission	
Output 1.1.1 -	Respond quickly to allegations of breaches of competition, fair trading and consumer legislation.
Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	Seek appropriate remedies when there is a breach of the law.
	Enforce mandatory product safety and information standards.
	Publicise litigation and education activities.
	Develop new consumer protection and investigative initiatives for e-commerce.
	Liaise with and inform business and consumers about the law so that they can, in turn, inform their members and customers.
	Issue publications and media releases, speak to the public, conduct public meetings and conferences and use the latest technology to reach businesses and consumers throughout Australia.
	Work with other competition, fair trading and consumer protection agencies in Australia and overseas.

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.2 - Competitive market structures and informed behaviour	Assess the competition effects of mergers, acquisitions or asset sales.
	Encourage competition in markets that depend on monopoly services.
	Ensure that access regulation provides incentives for efficient business investment and use of infrastructure.
	Ensure that businesses using monopoly services pay prices that reflect efficient costs.
	Adjudicate authorisation applications (where anti-competitive behaviour is claimed to deliver public benefits).
	Develop industry specific codes of conduct.
	Publicise merger and authorisation decisions, arbitrations, undertakings and access arrangements and monitoring activities and inquiry findings.
	Assist parliamentary inquiries and government agencies to develop policies and processes that are consistent with the competition, fair trading and consumer protection laws.
	Liaise with other regulators, business and consumer associations, speak to the public, participate in meetings and conferences, nationally and internationally.
	Help overseas trading partners to develop and implement effective competition regimes to benefit Australian industry.
	Monitor prices to assess the impact of market conditions on price levels of goods and services.

EVALUATIONS

Stakeholder views will be sought on the effectiveness of the ACCC’s actions.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Competition and Consumer Commission's (ACCC) 2003-04 Annual Report, and form the basis for the input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying abridged notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the ACCC's budgeted financial statements is provided below.

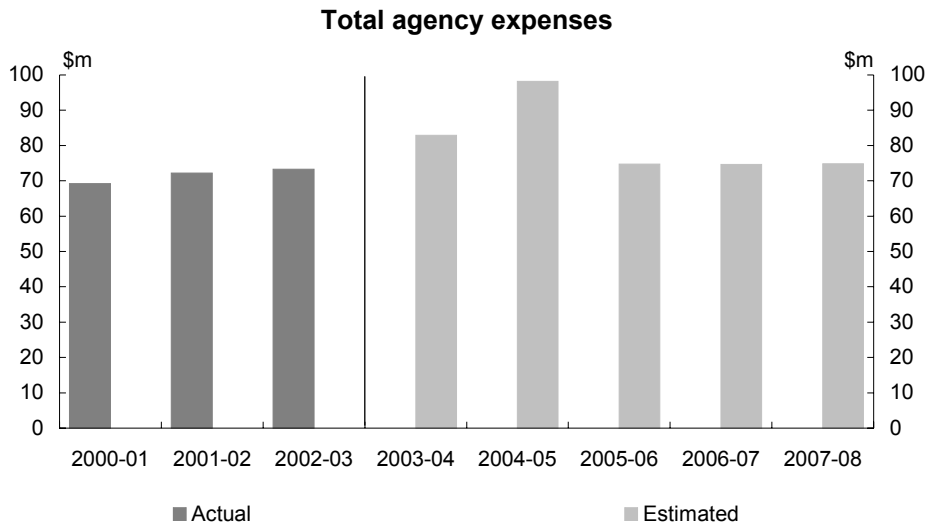
Statement of Financial Performance

The ACCC is budgeting for a breakeven operating result in 2004-05. The estimated operating result for 2003-04 is an approved operating loss of \$8.4 million. The 2003-04 operating loss is attributed to the increasing costs of litigation incurred throughout the year.

Total revenue for 2004-05 is estimated to be \$98.3 million, an increase of \$23.7 million on the 2003-04 estimated actual revenue. The increase is as a result of:

- additional funding of \$23.9 million to maintain existing levels of activity
- less one off funding provided in 2003-04 of \$6.8 million to meet additional cost pressures
- additional funding of \$6.5 million for the establishment and operational costs of the proposed Australian Energy Regulator.

The trend for agency expenses is shown in the following graph.



Total expenses for 2004-05 are estimated to be \$98.2 million, an increase of \$15.2 million. The main increases are as a result of:

- Increased employee expenses of \$5.2 million, including wage and superannuation cost increases and salaries for the establishment and operational costs of the proposed Australian Energy Regulator;
- A net increase of \$6.5 million from 2003-04 to cover the increasing costs of pursuing litigation; and
- Supplier expenses of \$3.5 million for the establishment and operational costs of the proposed Australian Energy Regulator.

Statement of Financial Position

The ACCC's budgeted 2004-05 net asset position will be \$11.1 million, an increase of \$23.9 million from 2003-04. This capital funding comprises:

- The amount of \$12 million to restore the Commission's balance sheet position following operating losses over the last two financial years;
- \$10 million to restore the Litigation Contingency Fund to its originally intended level, to meet other party costs when required in later years; and
- \$1.9 million to cover capital establishment costs for the proposed Australian Energy Regulator.

Administered Revenues and Expenses

The budget estimate of \$10.0 million for administered revenue reflects an estimate of the ongoing level of fines and costs awarded to the ACCC. The 2003-04 estimated actual revenue included one off revenue of \$14.6 million from a penalty ordered as part of the ACCC action against a transformer cartel.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriation or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in the ACCC's non-financial assets over the budget year.

NOTE OF ADMINISTERED ACTIVITY

Details of transactions administered by the agency on behalf of the Australian Government 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 Australian Government. It also discloses administered revenues from government and transfers to the Official Public Account.

Note of budgeted administered financial position

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

Note of budgeted administered cash flows

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

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	74,148	(K1) ⁽¹⁾ 97,807	74,383	74,255	74,426
Goods and services	400	400	400	400	400
Other	60	60	60	60	60
Total revenues from ordinary activities	74,608	98,267	74,843	74,715	74,886
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	38,200	43,409	42,021	42,853	43,720
Suppliers	42,569	52,370	30,528	29,607	28,911
Depreciation and amortisation	2,145	2,382	2,201	2,183	2,183
Total expenses from ordinary activities (excluding borrowing costs expense)	82,914	98,161	74,750	74,643	74,814
Borrowing costs expense	94	106	93	72	72
Operating surplus or (deficit) from ordinary activities	(8,400)	-	-	-	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	1,166	2,654	2,091	1,056	1,355
Receivables	795	22,795	23,795	24,795	25,795
Total financial assets	1,961	25,449	25,886	25,851	27,150
Non-financial assets					
Land and buildings	1,639	2,270	3,698	5,926	5,554
Infrastructure, plant and equipment	2,050	1,855	957	930	970
Inventories	87	87	87	87	87
Intangibles	945	1,200	1,233	1,066	1,099
Other	646	646	768	768	768
Total non-financial assets	5,367	6,058	6,743	8,777	8,478
Total assets	7,328	31,507	32,629	34,628	35,628
LIABILITIES					
Interest bearing liabilities					
Leases	562	562	562	562	562
Total interest bearing liabilities	562	562	562	562	562
Provisions					
Employees	10,142	10,820	11,320	11,920	12,520
Total provisions	10,142	10,820	11,320	11,920	12,520
Payables					
Suppliers	9,139	8,542	9,164	10,563	10,963
Other	329	468	468	468	468
Total payables	9,468	9,010	9,632	11,031	11,431
Total liabilities	20,172	20,392	21,514	23,513	24,513
EQUITY					
Parent entity interest					
Contributed equity	3,156	27,115	27,115	27,115	27,115
Reserves	1,052	1,052	1,052	1,052	1,052
Retained surpluses or accumulated deficits	(17,052)	(17,052)	(17,052)	(17,052)	(17,052)
Total parent entity interest	(12,844)	11,115	11,115	11,115	11,115
Total equity	(12,844)	11,115	11,115	11,115	11,115
Current assets	2,607	26,095	26,654	26,619	27,918
Non-current assets	4,721	5,412	5,975	8,009	7,710
Current liabilities	15,101	14,982	15,854	17,553	18,253
Non-current liabilities	5,071	5,410	5,660	5,960	6,260

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	74,148	97,807	74,383	74,255	74,426
Goods and services	427	400	400	400	400
Other	7,439	60	60	60	60
Total cash received	82,014	98,267	74,843	74,715	74,886
Cash used					
Cash to Official Public Account	-	22,000	1,000	1,000	1,000
Employees	37,260	41,041	39,664	41,092	41,949
Suppliers	44,809	54,085	31,452	28,935	29,249
Borrowing costs	94	106	93	72	72
Total cash used	82,163	117,232	72,209	71,099	72,270
Net cash from or (used by) operating activities	(149)	(18,965)	2,634	3,616	2,616
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	431	3,073	2,764	4,218	1,884
Other	33	-	-	-	-
Total cash used	464	3,073	2,764	4,218	1,884
Net cash from or (used by) investing activities	(464)	(3,073)	(2,764)	(4,218)	(1,884)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	56	23,959			
Total cash received	56	23,959	-	-	-
Cash used					
Repayments of debt	463	433	433	433	433
Total cash used	463	433	433	433	433
Net cash from or (used by) financing activities	(407)	23,526	(433)	(433)	(433)
Net increase/(decrease) in cash held	(1,020)	1,488	(563)	(1,035)	299
Cash at the beginning of the reporting period	2,186	1,166	2,654	2,091	1,056
Cash at the end of the reporting period	1,166	2,654	2,091	1,056	1,355

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	56	(K3) ⁽¹⁾ 23,959	-	-	-
Total	56	23,959	-	-	-
Represented by					
Purchase of non-current assets	56	1,959	-	-	-
Other	-	22,000	-	-	-
Total	56	23,959	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	56	1,959	-	-	-
Funded internally by agency resources	408	1,114	2,764	4,218	1,884
Total	464	3,073	2,764	4,218	1,884

1. K3 shows the link back to Table 1.1.

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	1,639	-	2,050	-	945	-	4,634
Additions	-	1,273	-	1,014	-	786	-	3,073
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(642)	-	(1,209)	-	(531)	-	(2,382)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	2,270	-	1,855	-	1,200	-	5,325
Represented by								
Self funded	-	50	-	464	-	600	-	1,114
Appropriations	-	1,223	-	550	-	186	-	1,959
Total represented by	-	1,273	-	1,014	-	786	-	3,073

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Taxation					
Other taxes, fees and fines	24,567	10,000	10,000	10,000	10,000
Total taxation	24,567	10,000	10,000	10,000	10,000
Total revenues administered on behalf of Government	24,567	10,000	10,000	10,000	10,000

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Receivables	3,704	3,704	3,704	3,704	3,704
Total financial assets	3,704	3,704	3,704	3,704	3,704
Total assets administered on behalf of Government	3,704	3,704	3,704	3,704	3,704
Current assets	3,704	3,704	3,704	3,704	3,704
Non-current assets	-	-	-	-	-

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines	24,844	9,990	9,990	9,990	9,990
Other	10	10	10	10	10
Total cash received	24,854	10,000	10,000	10,000	10,000
Cash used					
Cash to Official Public Account	24,864	10,000	10,000	10,000	10,000
Total cash used	24,864	10,000	10,000	10,000	10,000
Net cash from or (used by) operating activities	(10)	-	-	-	-
Net increase/(decrease) in cash held	(10)	-	-	-	-
Cash at beginning of reporting period	10	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets which are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Budgeted agency financial statements

Agency assets, liabilities, revenues and expenses are those items that are controlled by the ACCC. They are used by the ACCC in producing its outputs, including:

- computers, plant and equipment used in providing goods and services;
- liabilities for employee entitlements;
- revenues from appropriations or independent sources in payment of outputs; and
- employee, supplier and depreciation expenses incurred in producing the ACCC outputs.

Administered items are those items which are controlled by the Australian Government and managed or oversighted by the ACCC on behalf of the Australian Government. These administered items managed or controlled by the ACCC include authorisation fees, fines and costs.

The purpose of the separation of agency and administered items is to enable the assessment of administrative efficiency of the agency in providing goods and services.

Revenues from government

Revenues from government are revenues relating to the core operating activities of the ACCC. Policies for accounting for revenues from government follow.

Agency appropriations

Since 1 July 1999, the Australian Government Budget has been prepared under an accruals framework.

Appropriations to the ACCC for its agency outputs are recognised as revenue to the extent they have been received into the ACCC's bank account or are entitled to be received by the ACCC at year end.

Resources received free of charge

Services received free of charge are recognised in the statement of financial performance as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Other revenue

Revenue from the sale of goods (that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets) is recognised upon the delivery of goods/services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Administered revenue includes fines and costs, which are recognised as per the court judgement orders. Authorisation fees are recognised when the application is received.

Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of operating performance on a basis which is representative of the pattern of benefits derived from the lease assets.

The ACCC entered into a sale and lease back of certain information technology assets on 1 July 1999. This arrangement ceases on 30 June 2004. The sale and lease back of the information technology assets has been specifically treated as a finance lease.

Receivables

Court costs, which are awarded, are not considered as receivables or as creditors, as the case may be, until the costs have been agreed by the concerned parties.

A provision is raised for any doubtful debts based on a review of the collectability of all outstanding accounts as at year end.

Bad debts are written off during the year in which they are identified.

Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Property, infrastructure, plant and equipment are carried at valuation. The ACCC revalue all its assets in three year cycles. Revaluations have been undertaken up to 30 June 2002 on a deprival basis. These revaluations being for the cycle which finishes on 30 June 2005.

Future revaluations by the ACCC are to be undertaken at fair value.

Depreciation and amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the ACCC using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight line basis over the lesser of the estimated life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates that apply to each class of depreciable asset are as follows:

Asset class	Total useful life
Fitout	Lesser of the term of the lease or 10 years
Furniture and fittings	10 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 to 7 years

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian Competition and Consumer Commission (ACCC) does not have any purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

The ACCC has undertaken a review of its cost recovery arrangements in accordance with the Australian Government's five year review schedule for existing arrangements.

Current Cost Recovery Arrangements

The ACCC currently levies a variety of fees and charges under the *Trade Practices Act 1974* (TPA). Revenue from these fees and charges is identified in Table 1.3 – Receipts from Independent Sources.

It should be noted that with the exception of those revenues generated from discretionary services, where it has been agreed that these revenues can be retained by the ACCC in recognition of the costs associated with the provision of these services, all other revenues generated by the ACCC are refunded back to government via the Consolidated Revenue fund.

Details of compliance with the cost recovery policy

The ACCC has undertaken a review of its cost recovery arrangements. This review has been conducted in accordance with the *Commonwealth Cost Recovery Guidelines for Information and Regulatory Agencies* (the Guidelines) prepared by the Department of Finance and Administration.

As specified in the Guidelines the ACCC has worked through a two stage process involving: 1) a Policy Review; and 2) Design and Implementation process.

Overall the ACCC considers that the public interest is best served by the fees and charges for ACCC regulatory activities remaining around their current levels. This is mainly because the ACCC's functions have a strong public benefit dimension and any significant fee increase runs the risk of undermining the effectiveness of the TPA by creating increased barriers to the ACCC's services.

The overarching objective of the ACCC is to enhance social and economic welfare of the Australian community. It does this through promoting effective competition and informed markets, encouraging fair trading and consumer protection, and regulating national infrastructure service markets and other markets where competition is restricted.

The total amount of revenue generated from the recovery of costs in 2002-03 was \$0.4 million as administered revenue and \$0.4 million as departmental revenue. Similar amounts of revenue are expected for 2003-04. In addition, the fees are only appropriate for a small proportion of the ACCC's activities and cover only a small proportion of its total costs – a total budget in the order of \$70.0 million. As such, any changes to its fees are unlikely to have material consequences for its budgetary requirements.

Notwithstanding the above, this review does conclude that there may be a case for introducing charges for:

- the assessment of access undertakings and industry codes in certain circumstances (under Part IIIA and Part XIC of the TPA);
- applications for exemption from standard access obligations (Part XIC of the TPA); and
- the assessment of merger proposals against the test specified under section 50 of the TPA.

The level of fees recommended for these services would possibly be based on the ACCC's fees for authorisation.

The intent of levying a fee would not be to achieve full cost recovery but to manage demand for these services; consistent with other fees currently levied. In effect, partial cost recovery is proposed in instances where there are identifiable beneficiaries of ACCC services (for example those receiving an adjudication function: authorisation, notification, etc) because to charge full cost recovery would run counter to the ACCC achieving its policy objectives. Existing fee levels are considered an adequate and effective balance between managing demand while still ensuring that those parties receiving some private benefit from ACCC services pay a notional amount towards the costs incurred. In this way the fees are also considered efficient.

An important qualification to the above recommendation is that fees for access undertakings should only be introduced if fees are introduced for declaration applications to the National Competition Council; and either:

- fees are introduced for access arrangements lodged under the National Gas Code; or

- Part IIIA of the TPA is amended such that firms cannot lodge access undertakings where the service is subject to a certified access regime.

Note that legislation may need to be enacted by each participating jurisdiction in order for a fee to be levied in respect to gas access arrangements.

The ACCC also considers that an industry levy should continue to apply to recover the costs of its specific regulatory responsibilities in the telecommunications industry, and that a levy should also apply for its specific regulatory role in the postal industry.

In relation to the regulation of the gas and electricity industries, the ACCC supports the introduction of industry levies to recover its costs, but notes that there are significant legal impediments to the Australian Government imposing such levies.

Other ACCC services generally fall into the categories of information products: copying of documents, publication of reports and provision of speakers. The basic product set is established in budget discussions and additional and incremental products are cost recovered in a manner consistent with the cost recovery policy.

Consultation

The ACCC has not undertaken any public consultation with the development of the Cost Recovery Impact Statement.

Review

A general review of the ACCC's cost recovery arrangements will be undertaken to coincide with a review of ACCC funding arrangements for the 2008-09 Budget process. In addition, cost recovery issues associated with the ACCC's energy regulatory functions (to move to the Australian Energy Regulator) are being examined by governments.

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Overview, appropriations and budget measures summary

AGENCY 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 AOFM aims to manage the Commonwealth net debt portfolio at least cost over the medium term, subject to the Government's policies and risk preferences.

APPROPRIATIONS AND RESOURCING

The total appropriation for the AOFM in the 2004-05 Budget is \$87,830.5 million. Table 1.1 sets out appropriations for the AOFM.

Price of outputs appropriation is \$8.1 million. The total administered outcome appropriation of \$87,822.4 million is based on budgeted expenses of \$5,976.4 million and budgeted debt redemption and financial investment activity of \$81,846.0 million.

Australian Office of Financial Management — appropriations 2004-05

Table 1.1: Appropriations and other revenue

[illegible]

1. C1, E1 and I1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.
 2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.
 3. Estimated expenses from individual special appropriations are shown in Table 1.5.
- Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Appropriation revenue	8,135	8,097
Total estimated agency revenues	8,135	8,097
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
<i>Financial Agreement Act 1994</i> - Interest paid by States and Northern Territory on other loans	19,009	10,847
<i>Financial Management and Accountability Act 1997</i> - Interest on financial assets	500,879	344,000
<i>Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts</i> - Advances to the States and Northern Territory (interest)	94,100	91,522
<i>Loans Securities Act 1919</i> - Gain on foreign exchange ⁽¹⁾	172,452	-
<i>Loans Securities Act 1919</i> - Swaps interest	1,909,063	2,191,096
<i>States (Works and Housing Assistance) Acts</i> - Advances to the States (interest)	68,449	67,686
<i>War Service Lands Settlements Acts</i> - Advances to the States (interest)	303	269
Total non-appropriation administered revenues	2,764,255	2,705,420
Total estimated agency and administered revenues	2,772,390	2,713,517

Note 1: comprises forward foreign exchange contracts, cross currency swaps and foreign denominated bonds.

Administered revenues includes interest revenue on swap transactions and financial investments, interest on Commonwealth Government Securities allocated to the States and Territories and interest on other advances made to the States under Commonwealth – State financing arrangements.

Financial assets and liabilities denominated in a foreign currency are converted to Australian dollar equivalents using actual exchange rates for closed-out positions and budget exchange rate assumptions for positions open at the time of preparing the budget estimates. Estimated net exchange rate gains arising from the currency translations are disclosed in Table 1.3.

SPECIAL APPROPRIATIONS

Table 1.5: Estimates of expenses from special appropriations

	2003-04 estimated expenses \$'000	2004-05 estimated expenses \$'000
ESTIMATED EXPENSES		
Special appropriations		
<i>Airports (Transitional) Act 1996</i> section 78 - Interest on former debts of the Federal Airports Corporation	8,174	-
<i>Commonwealth Inscribed Stock Act 1911</i> section 6 - Loan flotation expenses	422	422
<i>Commonwealth Inscribed Stock Act 1911</i> section 6 - Interest on Stock	3,955,362	3,852,619
<i>Financial Agreement Act 1994</i> section 5 - Assistance for debt redemption	35,292	53,745
<i>Financial Agreement Act 1994</i> section 5 - Commonwealth contributions to the Debt Retirement Reserve Trust Account	1,412	595
<i>Loans Securities Act 1919</i> section 4 - Interest on Stock	17,000	13,000
<i>Loans Securities Act 1919</i> section 5B(2) - Interest on swaps	1,570,046	2,030,616
<i>Loans Securities Act 1919</i> section 5B(2) - Net repurchase premia	4,951	-
<i>Snowy Hydro Corporatisation Act 1997</i> section 22 - Interest	33,359	25,432
Total estimated expenses from special appropriations	5,626,018	5,976,429
Other appropriations	10	10
Total estimated expenses	5,626,028	5,976,439

The commentary below summaries the key legislative mechanisms that establish the Commonwealth's borrowing capacity.

The *Commonwealth Inscribed Stock Act 1911* and associated regulations represent the Commonwealth's primary vehicle for the creation and issuance of domestic stock prescribed under the Act, including Treasury Fixed Coupon Bonds, Treasury Indexed Bonds and Treasury Notes.

The *Financial Agreement Act 1994* formalises revised debt redemption arrangements applying since 1 July 1990 between the Commonwealth and the States and Territories.

The *Loans Securities Act 1919* (as amended by the *Loans Securities Amendment Act 1988*) provides the Commonwealth with additional borrowing flexibility, by allowing overseas borrowings and borrowings in foreign currencies and by providing an explicit authority to enter into swaps and other financial arrangements.

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
	B ⁽¹⁾	2003-04	2003-04	2003-04	2003-04
		opening	receipts	payments	closing
		balance			balance
		\$'000	\$'000	\$'000	\$'000
SPECIAL ACCOUNTS⁽²⁾					
Debt Retirement Reserve Trust Account		245	76,417	75,005	1,657
		5,997	291,574	297,326	245
Total special accounts		245	76,417	75,005	1,657

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).
2. This special account is administered in nature and is governed by the *Financial Agreement Act 1994*.

Until July 1990, the Commonwealth borrowed on behalf of the State and Territory Governments and allocated a portion of its Treasury Bond raisings to those Governments to fund the redemption of previous allocations of bond raisings. Until 1986, the Commonwealth also borrowed on behalf of the State and Territory Governments to raise new borrowings.

The annual funding of the redemption of the State and Territory allocated debt is governed by the *Financial Agreement Act 1994* which requires the Commonwealth to establish and maintain the Debt Retirement Reserve Trust Account (DRRTA), a special account, for the States and the Northern Territory. Monies standing to the credit of a State or the Northern Territory are applied by the Commonwealth in connection with the repurchase and repayment of the debt of that State or the Northern Territory.

The Act prescribes the contributions to be made by the Commonwealth, the States and the Northern Territory to the DRRTA to meet the volume of maturing debt.

AGENCY EQUITY INJECTIONS AND LOANS

The AOFM is not seeking new equity injections or loans for 2004-05.

The AOFM will carryover into 2004-05 unspent equity injections obtained during 2003-04 and previous financial years for the acquisition of a specialist debt management system and for the implementation of the Budget Estimates and Framework Review (BEFR) recommendations.

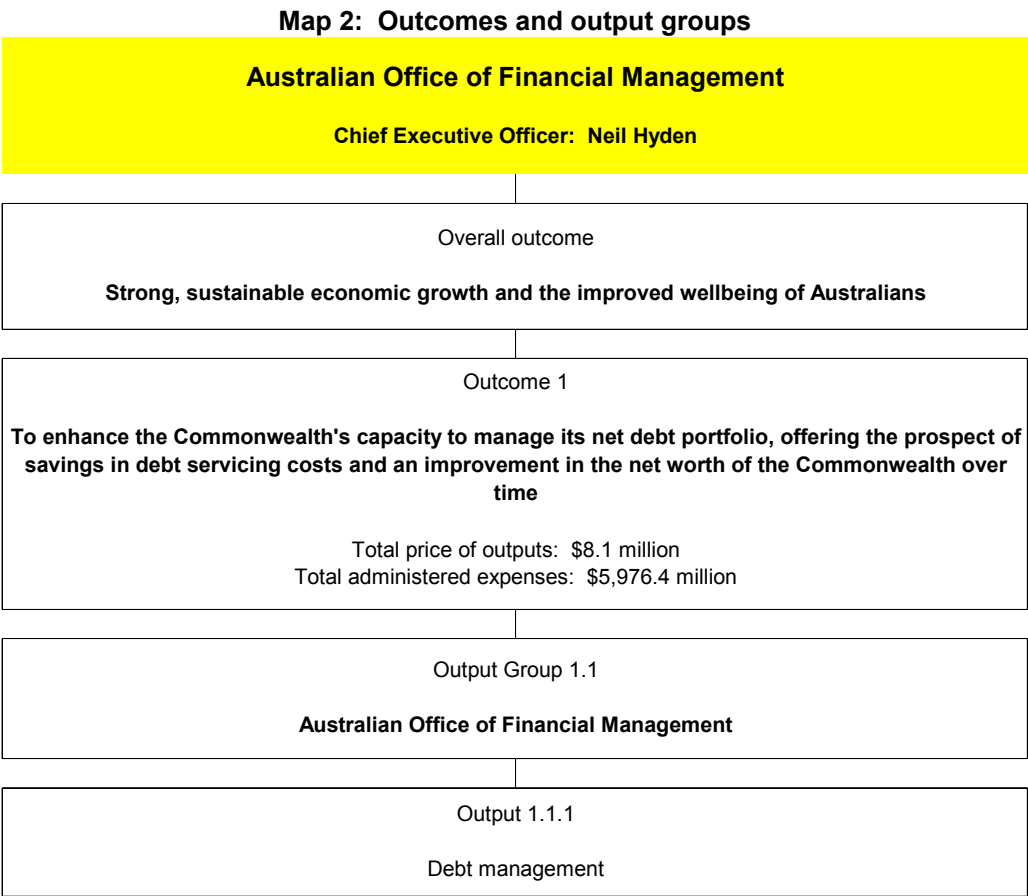
Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Australian Office of Financial Management (AOFM). Financial detail for Outcome 1 appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

OUTPUT COST ATTRIBUTION

The AOFM’s single output is debt management. All departmental appropriations are attributed to this output.



CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs structure.

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 measures for the AOFM in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including administered and agency appropriations, revenue from other sources, and the total price of outputs. Cell references C1, E1 and I1 show the links back to Table 1.1 (the Appropriations and other revenue table for the agency).

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Administered appropriations		
Annual appropriations	10	10
Special appropriations	164,930,448	87,822,424
Total administered appropriations	164,930,458	(I1) ⁽¹⁾ 87,822,434
Agency appropriations		
Output Group 1.1 - Australian Office of Financial Management		
Output 1.1.1 - Debt management	8,135	8,097
Total revenues from government (appropriations)	8,135	(C1) ⁽¹⁾ 8,097
Contributing to price of agency outputs	100%	100%
Total price from agency outputs		
(Total revenues from government and from other sources)	8,135	(E1) ⁽¹⁾ 8,097
Estimated payments from special account balances⁽²⁾		
Debt Retirement Reserve Trust Account	297,326	75,005
Total administered special account outflows	297,326	75,005
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	164,938,593	87,830,531
	2003-04	2004-05
Average staffing level (number)	38	38

1. C1, E1 and I1 show the links back to Table 1.1.

2. This special account is governed by the *Financial Agreement Act 1994*. Further details on special accounts appear in Table 1.6.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The AOFM delivers a single output – debt management. Debt management encompasses the execution of instruments including Treasury Fixed Coupon Bonds, Treasury Indexed Bonds, Treasury Notes and associated derivatives. It also encompasses risk management activities, compliance activities, financial reporting, debt administration and the monitoring of conditions in Treasury bond and futures markets.

The debt portfolio is managed in line with the risk preferences and requirements of key stakeholders. Debt management activities comply with applicable accounting standards and legislative requirements.

PERFORMANCE INFORMATION FOR OUTCOME 1

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, subject to the Government's policies and risk preferences. An efficient Treasury bond market that supports an efficient Treasury bond futures market.
Performance information for agency outputs	
Output Group 1.1 - Australian Office of Financial Management	
Output 1.1.1 - Debt management	Cost of Commonwealth debt portfolio. Timely production of reports on debt management activities. Efficient execution of the Commonwealth's borrowing activities. Partial indicators include the narrowness of the range of accepted bids and of 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 targets as at end-year.

EVALUATIONS

Feedback will be sought on a regular basis from financial markets and key clients on the effectiveness of debt issuance and the efficiency of the CGS bond and futures markets. The appropriateness of the benchmark portfolio will also be reviewed. Results of evaluations will be presented, as appropriate, in the AOFM's Annual Report.

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 2003-04 (estimated actual results), 2004-05 (Budget estimate) and three forward years. The financial statements should be read in conjunction with the accompanying notes.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Statement of financial performance

Since inception as a separate agency in July 1999, the AOFM has been developing its resource base and functionality. Substantial progress has been made in achieving best practice in policy, systems and methodology in the areas of financial market operations and risk management. The growth of the AOFM over the past five years has been rapid with expenditure reflecting start up costs including significant investment in agency infrastructure (primarily Information Technology hardware and software), additional staffing and moving to new premises in December 2000. The budget and forward years reflect planned periods of consolidation when revenue and operating expenses are expected to be largely unchanged.

Statement of financial position

The AOFM's net asset (or equity) position is forecast to remain constant over the Budget and forward years, reflecting that current funding levels are expected to be adequate to support the AOFM's operations during this period.

The AOFM forecasts that during the forward estimates period it will need to make renewed capital investment in agency infrastructure. Some further capital expenditure, particularly in relation to systems, both for development and replacement, is expected in the forward estimates period. Sufficient funding has been provided for this future capital investment from accumulated unspent outputs appropriations and equity injections.

Administered

Following the Government's decision, announced in the 2003-04 Budget, to maintain the market in Commonwealth Government Securities (CGS), the AOFM aims to contribute to financial market efficiency by maintaining sufficient Treasury bonds on issue to support the Treasury bond futures market. This will require ongoing issuance of bonds at the middle and long end of the yield curve. The Administered Budget and forward estimates reflect this Government decision.

The AOFM executes interest rate swap transactions to manage the cost and risk of the net debt portfolio according to a benchmark approved by the Treasurer. The Administered Budget and forward estimates incorporate the interest rate swap programme.

The Commonwealth holds surplus funds as term deposits with the Reserve Bank of Australia. These assets are used by the AOFM in managing the Commonwealth's short-term funding requirement. Estimates of these asset holdings have been included in the Administered Budget and forward estimates. However for 2004-05 and the forward years transactions relating to debt management activities (for example, debt and investment activity) have been netted in the statement of financial position and the statement of cash flows due to uncertainty associated with the balance between CGS and financial assets.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

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

Budgeted 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 2004-05.

NOTE OF ADMINISTERED ACTIVITY

Details of transactions administered by the AOFM on behalf of the Australian Government are shown in the following notes to the financial statements.

Note of budgeted administered financial performance

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

Note of budgeted administered financial position

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

Note of budgeted administered cash flows

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

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	8,135	(K1) ⁽¹⁾ 8,097	8,059	8,132	8,209
Total revenues from ordinary activities	8,135	8,097	8,059	8,132	8,209
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	4,189	4,238	4,300	4,364	4,435
Suppliers	3,191	3,104	3,004	3,014	3,024
Depreciation and amortisation	755	755	755	754	750
Total expenses from ordinary activities (excluding borrowing costs expense)	8,135	8,097	8,059	8,132	8,209
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	-	-	-	-	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	1,365	2,307	3,252	4,185	2,118
Receivables	4,458	4,458	4,458	4,458	4,458
Total financial assets	5,823	6,765	7,710	8,643	6,576
Non-financial assets					
Infrastructure, plant and equipment	1,080	829	578	328	2,328
Intangibles	1,841	1,337	833	329	579
Other	31	31	31	31	31
Total non-financial assets	2,952	2,197	1,442	688	2,938
Total assets	8,775	8,962	9,152	9,331	9,514
LIABILITIES					
Provisions					
Employees	1,108	1,295	1,485	1,664	1,847
Other	277	277	277	277	277
Total provisions	1,385	1,572	1,762	1,941	2,124
Total liabilities	1,385	1,572	1,762	1,941	2,124
EQUITY					
Parent entity interest					
Contributed equity	3,423	3,423	3,423	3,423	3,423
Reserves	138	138	138	138	138
Retained surpluses or accumulated deficits	3,829	3,829	3,829	3,829	3,829
Total parent entity interest	7,390	7,390	7,390	7,390	7,390
Total equity	7,390	7,390	7,390	7,390	7,390
Current assets	1,396	2,338	3,283	4,216	2,149
Non-current assets	7,379	6,624	5,869	5,115	7,365
Current liabilities	532	589	648	694	741
Non-current liabilities	853	983	1,114	1,247	1,383

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	8,135	8,097	8,059	8,132	8,209
Total cash received	8,135	8,097	8,059	8,132	8,209
Cash used					
Employees	4,005	4,051	4,110	4,185	4,252
Suppliers	3,219	3,104	3,004	3,014	3,024
Total cash used	7,224	7,155	7,114	7,199	7,276
Net cash from or (used by) operating activities	911	942	945	933	933
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	23	-	-	-	3,000
Total cash used	23	-	-	-	3,000
Net cash from or (used by) investing activities	(23)	-	-	-	(3,000)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	23	-	-	-	-
Total cash received	23	-	-	-	-
Net cash from or (used by) financing activities	23	-	-	-	-
Net increase/(decrease) in cash held	911	942	945	933	(2,067)
Cash at the beginning of the reporting period	454	1,365	2,307	3,252	4,185
Cash at the end of the reporting period	1,365	2,307	3,252	4,185	2,118

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	23	-	-	-	-
Funded internally by agency resources	-	-	-	-	3,000
Total	23	-	-	-	3,000

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	1,080	-	1,841	-	2,921
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(251)	-	(504)	-	(755)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	829	-	1,337	-	2,166
Represented by								
Self funded	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	-	-	-	-	-

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Non-taxation					
Interest	2,591,803	2,705,420	2,709,478	3,078,894	3,532,517
Net foreign exchange gains	172,452	-	-	-	-
Total non-taxation	2,764,255	2,705,420	2,709,478	3,078,894	3,532,517
Total revenues administered on behalf of Government	2,764,255	2,705,420	2,709,478	3,078,894	3,532,517
EXPENSES					
Grants	36,704	54,340	195,690	-	-
Interest and financing costs	5,589,324	5,922,099	5,711,955	5,488,031	5,140,566
Total expenses administered on behalf of Government	5,626,028	5,976,439	5,907,645	5,488,031	5,140,566

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	181	181	181	181	181
Receivables	3,800,794	3,643,580	3,428,456	3,341,923	3,253,272
Investments	10,884,000	-	-	-	-
Accrued revenues	107,220	66,006	66,446	95,773	121,142
Total financial assets	14,792,195	3,709,767	3,495,083	3,437,877	3,374,595
Total assets administered on behalf of Government	14,792,195	3,709,767	3,495,083	3,437,877	3,374,595
LIABILITIES					
Interest bearing liabilities					
Commonwealth securities	55,397,000	45,056,000	44,718,000	31,335,000	17,235,000
Total interest bearing liabilities	55,397,000	45,056,000	44,718,000	31,335,000	17,235,000
Payables					
Other payables	3,185,000	3,364,000	2,774,000	2,936,000	3,143,000
Total payables	3,185,000	3,364,000	2,774,000	2,936,000	3,143,000
Total liabilities administered on behalf of Government	58,582,000	48,420,000	47,492,000	34,271,000	20,378,000

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	2,579,664	2,680,010	2,700,854	3,077,976	3,591,601
Cash from Official Public Account	5,617,277	5,909,764	6,737,339	5,605,573	5,260,513
Total cash received	8,196,941	8,589,774	9,438,193	8,683,549	8,852,114
Cash used					
Grant payments	36,704	54,340	195,690	-	-
Interest and financing payments	5,580,573	5,855,424	6,541,649	5,605,573	5,260,513
Cash to Official Public Account	2,579,664	2,680,010	2,700,854	3,077,976	3,591,601
Total cash used	8,196,941	8,589,774	9,438,193	8,683,549	8,852,114
Net cash from or (used by) operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Housing Loan repayments	79,822	82,209	84,406	86,533	88,651
Total cash received	79,822	82,209	84,406	86,533	88,651
Cash used					
Cash to Official Public Account	79,822	82,209	84,406	86,533	88,651
Total cash used	79,822	82,209	84,406	86,533	88,651
Net cash from investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing ⁽¹⁾	129,113,493	82,642,949	77,494,878	175,067,133	256,316,494
Cash from Official Public Account	159,304,430	81,845,995	77,454,282	188,199,000	270,174,000
Swap principal ⁽²⁾	29,037,562	-	-	-	-
Total cash received	317,455,485	164,488,944	154,949,160	363,266,133	526,490,494
Cash used					
Repayments of debt ⁽¹⁾	129,936,407	81,845,995	77,454,282	188,199,000	270,174,000
Cash to Official Public Account	158,151,055	82,642,949	77,494,878	175,067,133	256,316,494
Swap principal ⁽²⁾	29,368,023	-	-	-	-
Total cash used	317,455,485	164,488,944	154,949,160	363,266,133	526,490,494
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	181	181	181	181	181
Cash at end of reporting period	181	181	181	181	181

1. Includes investment activity.

2. Includes forward foreign exchange contracts.

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.

Administered internal transactions

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

However, for the purposes of disclosing all cash flows through AOFM's administered bank accounts, cash flows in the note of budgeted administered cash flows are reported inclusive of administered internal transactions.

Goods and services tax (GST)

All supplies provided by the AOFM are input taxed under *A New Tax System (Goods and Services Tax) Act 1999*.

Budgeted agency and administered financial statements

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

Under the Commonwealth's accrual budgeting framework, 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 to Government.

- 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 repayment of interest on lapsed coupons not supported by special appropriation.

Special appropriations continue under the accrual budgeting framework and fund the majority of administered payments made by the AOFM, including debt redemption and financial investment activity.

Budgeted agency financial performance

Appropriations

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

The AOFM has prepared its estimates for the 2004-05 budget and forward years to achieve a breakeven operating result. Consequently the appropriation revenues from Government represent the funding required to meet all expenses.

Budgeted agency financial position

Cash

The estimated cash reserves will be maintained 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 notes of budgeted financial statements

Revenues and expenses

Non-taxation revenue — interest

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
Interest					
Interest on housing agreements	162,852	159,477	155,985	152,382	148,668
Interest on State and Northern Territory debt	19,009	10,847	633	-	-
Interest from other sources	2,409,942	2,535,096	2,552,860	2,926,512	3,383,849
Total interest	2,591,803	2,705,420	2,709,478	3,078,894	3,532,517

Interest from other sources includes interest from swaps and investments.

Expenses — grants

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
Grants					
Grants to State and Northern Territory Governments	36,704	54,340	195,690	-	-
Total grants	36,704	54,340	195,690	-	-

Expenses — interest and financing costs

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
Interest and financing costs					
Interest on Government securities	3,972,372	3,865,629	3,604,611	3,545,877	3,592,305
Interest on swaps	1,570,046	2,030,616	2,093,401	1,939,732	1,547,628
Interest on other debt	41,533	25,432	13,521	2,000	211
Net repurchase premia	4,951	-	-	-	-
Other financing costs	422	422	422	422	422
Total interest and financing costs	5,589,324	5,922,099	5,711,955	5,488,031	5,140,566

Assets and Liabilities

Debt — Commonwealth securities

Commonwealth securities represent the book value of government securities on issue, net of investments (except for 2003-04 where they are reported on a gross basis).

Financial assets — receivables

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
Receivables					
Loans to State and Northern Territory Governments	3,800,772	3,643,558	3,428,434	3,341,901	3,253,250
Other	22	22	22	22	22
Total receivables	3,800,794	3,643,580	3,428,456	3,341,923	3,253,272

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian Office of Financial Management (AOFM) does not have purchaser/provider arrangements in place.

COST RECOVERY ARRANGEMENTS

The AOFM does not carry out significant ongoing cost recovery arrangements. Consequently, the AOFM has not produced a Cost Recovery Impact Statement.

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The role of the Australian Prudential Regulation Authority (APRA) is developing and enforcing regulation that promotes prudent behaviour by authorised deposit-taking institutions, insurance companies, superannuation funds and other financial institutions with the key aim of protecting the interests of their depositors, policy holders and members.

Prudential regulation focuses on the quality of an institution's systems for identifying, measuring and managing the various risks in its business.

In carrying out this role, APRA will enhance public confidence in Australia's financial institutions through a framework of prudential regulation, which balances financial safety and efficiency, competition, contestability and competitive neutrality. This is achieved by:

- the formulation and promulgation of prudential policy and practice to be observed by regulated institutions;
- effective surveillance and compliance programmes and, where relevant, remediation or enforcement measures, to give effect to the laws administered by APRA and to standards issued under those laws; and
- advice to government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

APRA was established by the *Australian Prudential Regulation Authority Act 1998*. The *Commonwealth Authorities and Companies Act 1997* applies to APRA.

APPROPRIATIONS AND RESOURCING

The total appropriation for APRA in the 2004-05 Budget is \$80.5 million. Table 1.1 on the following page provides this detail.

Table 1.2 details funding provided for new budget measures in 2004-05.

Australian Prudential Regulation Authority — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000			\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps ⁽⁴⁾	Total	Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)	(I = F+G+H)	(J = C+I)
	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(D)	(E = C+D) (E1) ⁽¹⁾	(H)	
Outcome 1 - To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality	1,000	76,452	77,452	6,523	83,975	-	77,452
			92%	8%	100%		
Total	1,000	76,452	(K1) ⁽¹⁾ 77,452	6,523	83,975	-	77,452
				Agency capital (equity injections and loans)			
				-	-	(K3) ⁽¹⁾	3,000
				Administered capital			-
				Total appropriations			80,452

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance. K3 refers to information provided in Table 3.4, Agency Capital Budget Statement.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

4. Estimated expenses from special appropriations are shown in Table 1.5.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY SUMMARY

Table 1.2: Summary of measures disclosed in the 2004-05 Budget

Measure	Outcome	Output Groups affected	2004-05			2005-06			2006-07			2007-08		
			appropriations budget \$'000			appropriations forward estimate \$'000			appropriations forward estimate \$'000			appropriations forward estimate \$'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
Australian Prudential Regulation Authority - strengthened capabilities	1	1.1	-	11,400	11,400	-	12,400	12,410	-	11,693	11,693	-	11,900	11,900
Australian Prudential Regulation Authority - strengthened capabilities (Related capital)	1	1.1	-	-	-	-	-	-	-	-	-	-	-	-

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	1,419	1,348
Interest	1,528	1,550
Other	2,025	3,625
Total non-appropriation agency revenues	4,972	6,523

Goods and services include cost recoveries under sections 9 and 51 of the *Australian Prudential Regulation Authority Act 1998* for elective services. Revenue from other sources includes recovery of the cost of statistical services and work undertaken in the context of the *New Basel Capital Accord*, which is subject to cost recovery impact statement guidelines (see section 4).

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A ⁽¹⁾ B ⁽¹⁾	2004-05 2003-04 opening balance \$'000	2004-05 2003-04 receipts	2004-05 2003-04 payments	2004-05 2003-04 closing balance \$'000
SPECIAL ACCOUNTS⁽²⁾					
Superannuation Protection Account		41	26,080	26,121	-
		-	7,626	7,585	41
Total special accounts		41	26,080	26,121	-

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).
2. This special account is administered in nature and is governed by section 20 of the *Financial Management and Accountability Act 1997*.

AGENCY EQUITY INJECTIONS AND LOANS

APRA will receive a cash injection of \$3.0 million in the 2004-05 Budget to fund activities associated with licensing of superannuation entities. Upon collection of license fees, the majority of which will not occur until 2005-06, a dividend will be returned to government.

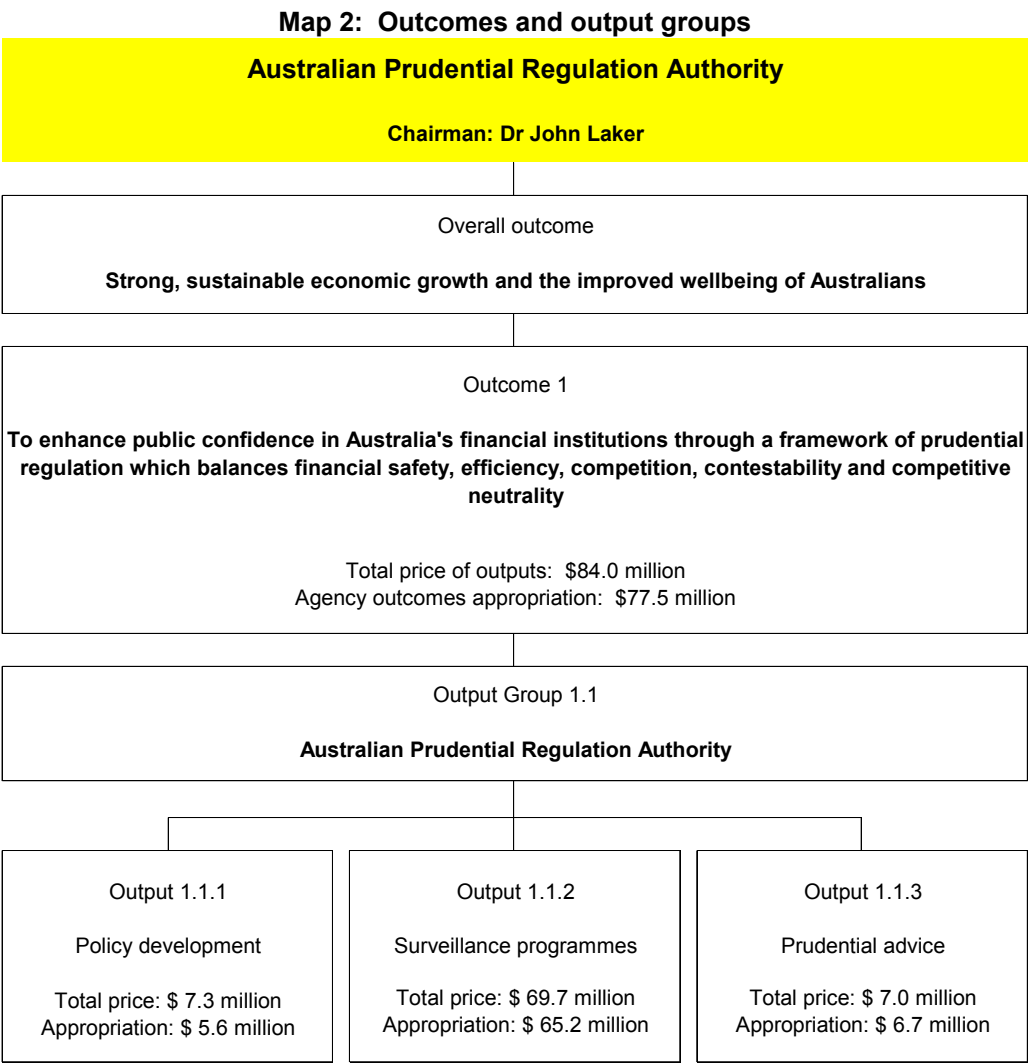
Superannuation Protection Account

Under the *Superannuation Industry (Supervision) Act 1993* a special account was established to facilitate the recovery of financial assistance provided to superannuation fund members suffering adverse outcomes resulting from fraud and misappropriation by fund trustees. The account has not been used prior to 2003-04. The first of the Financial Assistance Levies was gazetted on 30 June 2003 and collection commenced in August of that year. Further levies are planned in 2004-05 and outer years.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between Government outcomes and the contributing outputs for the Australian Prudential Regulation Authority (APRA). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.



Output cost attribution

Outputs are priced by costing the time allocated to work carried out on prudential policy development, surveillance programmes and prudential advice. The costs attributed to outputs are collected in cost pools for direct cost with associated allocated overheads. Support costs are allocated through the apportionment of unallocated time in the same ratio as direct costs.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

OUTCOME 1 — DESCRIPTION

To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality.

Measures affecting Outcome 1

Australian Prudential Regulation Authority — strengthened capabilities in prudential regulation

The Government will provide \$47.4 million over four years to the Australian Prudential Regulation Authority (APRA) to strengthen its supervisory capacity, principally in supervising large, complex and systemically important financial institutions. It will enable APRA to build up staff levels in front-line supervision and in specialist risk areas and to strengthen its capabilities as Australia's statistical collection agency for the financial sector. This supports the Government's commitment to increase public confidence in the Australian financial system.

The funding will also support other regulatory activities to strengthen the safety of superannuation funds and to assess whether individuals are 'fit and proper' to remain in the general insurance industry in view of the HIH Royal Commission's findings.

Apart from funding for 'fit and proper' assessments, the cost of this measure will be recovered via increases in financial sector levies.

The Government will also provide an equity injection of \$3 million in 2004-05, which will be returned to the Budget in the subsequent year. This is to cover a timing difference between expenses and the collection of superannuation trustee licensing fees announced by the Government on 28 October 2002.

The provision of an equity injection is a financial transaction within the general government sector and consequently has no direct impact on the fiscal balance.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000		2004-05 budget estimate \$'000
Agency appropriations			
Output Group 1.1 - Australian Prudential Regulation Authority			
Output 1.1.1 - Policy development	5,026		5,563
Output 1.1.2 - Surveillance programmes	58,942		65,238
Output 1.1.3 - Prudential advice	6,009		6,651
Total revenues from government (appropriations)	69,977	(C1) ⁽¹⁾	77,452
Contributing to price of agency outputs	93%		92%
Revenue from other sources			
Goods and services	1,419		1,348
Interest	1,528		1,550
Other	2,025		3,625
Total revenue from other sources	4,972		6,523
Total price from agency outputs			
(Total revenues from government and from other sources)	74,949	(E1) ⁽¹⁾	83,975
Estimated payments from special account balances⁽²⁾			
Superannuation Protection Account	7,585		26,121
Total agency special account outflows	7,585		26,121
Total estimated resourcing for Outcome 1			
(Total price of outputs appropriations)	74,949		83,975
	2003-04		2004-05
Average staffing level (number)	502		561

1. C1 and E1 show the links back to Table 1.1.

2. Further details on special accounts appear in Table 1.6.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The outputs of APRA aim to enhance public confidence in Australia's financial institutions through a framework of prudential regulation, which balances financial safety and efficiency, competition, contestability and competitive neutrality.

The outputs involve formulation and promulgation of prudential policy and practice to be observed by regulated institutions; effective surveillance and compliance programmes and, where relevant, remediation or enforcement measures, to give effect to the laws administered by APRA and to standards issued under those laws; and advice to government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs

Output Group 1.1 - Australian Prudential Regulation Authority

Output 1.1.1 - Policy development

Issuance of prudential standards, guidelines and like instruments which effectively address risk management exposures of regulated industries;

Comprehensive consultation with industry bodies, regulated institutions and professional associations on the development and implementation of prudential policy;

Effective communication and cooperation with relevant national and international agencies including participation in the international development and harmonisation of prudential regulation policy and practice; and

Promotion of public understanding of the role of APRA and informed debate on issues relating to prudential supervision through the publication of discussion papers, statistics and other relevant information.

Output 1.1.2 - Surveillance programmes

Prevention of financial loss by depositors or policy holders resulting from the failure of regulated institutions to observe laws, regulations or prudential standards administered by APRA;

The identification of emerging prudential risks within regulated institutions through programmes of inspection and off-site surveillance and the supervision of remedial actions to effectively manage such risks; and

The exercise by APRA of formal enforcement powers where necessary to protect the interests of depositor, policy holders, superannuation fund members or the public interest generally (including powers to issue directions, disqualify persons from positions of management or trust, transferring engagements, withdrawing licenses, or initiating prosecutions).

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.3 - Prudential advice	Regular liaison meetings with the Department of the Treasury and with relevant Ministers and Parliamentary Committees; Recommendations to Government on prudential regulation policy development involving legislative implementation (including amendments to all Acts of Parliament administered by APRA and regulations thereunder); Timely briefings to Government on major items of policy interest emerging from APRA participation in international fora; and Maintenance of a memorandum of understanding with the Department of the Treasury.

EVALUATIONS

Performance will be measured on a quarterly basis through an integrated programme of business planning, measurement and reporting. The business plan is expressed through six key results areas (KRAs), three of which represent the outputs described in Table 2.2 plus three KRAs covering staff, infrastructure and accountability.

Feedback will be sought from key stakeholders on a regular basis on the effectiveness of policy and prudential advice.

The performance of surveillance programmes is evaluated both internally through the measurement processes, by the Quality Assurance and Consistency Group and internal audit, and externally through industry consultation on a periodic basis.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Prudential Regulation Authority's (APRA) 2004-05 Annual Report and form the basis for the input into the whole-of-government Accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The Statement of Financial Performance (Table 3.1) shows an increase in appropriations from \$70.0 million forecast for the current year to \$77.5 million for 2004-05. The increase reflects the escalation in departmental costs forecast for the current year from \$73.1 million to \$85.7 million for 2004-05. This includes the new policy proposal aimed at strengthening APRA's capability in supervision of regulated entities. It also reflects the additional resources needed to implement licensing of superannuation entities commencing in 2004-05 and continuing in 2005-06. While this activity will be funded by license fees flowing substantially in the second year, much of the preparation and initial activity will occur in 2004-05, requiring a cash injection of \$3.0 million in the first year, to be repaid from license fees in 2005-06.

Other revenues in 2004-05 include an unspent appropriation of \$1.2 million brought forward from prior years to cover ongoing legal and other activities arising out of the HHH Royal Commission. As a result, other revenue in 2004-05 is marginally higher than the normal trend.

Employee expenses will increase from \$46.8 million to \$56.6 million in 2004-05. This will support an increase in senior front-line supervisory, specialist technical advisors and additional staff to carry out the intentions of the new budget measure and the licensing of superannuation funds.

Suppliers' costs in 2004-05 have been budgeted to increase by \$2.6 million, again reflecting the additional costs associated with the new policy measure, including increases in the facilities to accommodate additional staff.

APRA has budgeted a \$1.7 million operating deficit in 2004-05 resulting entirely from the timing differences arising out of the new superannuation licensing regime. As

noted above, while much of the preparation and initial costs are reflected in the first year of the initiative (2004-05), the associated revenues will not flow until the second year. This timing difference results in a deficit in the first year and a compensating surplus in the following year (2005-06).

The Departmental Statement of Financial Position (Table 3.2) shows a decrease in financial assets between 2003-04 and 2004-05, brought about by a decrease in cash (to be used for operational needs in 2004-05), offset by a small increase in receivables. Over the past three years, APRA has reduced receivables to a manageable level and will maintain that momentum into the outer years. The marginal increase in receivables in 2004-05 reflects the effects of the superannuation licensing process.

Non-financial assets are expected to increase by \$1.5 million in 2004-05, funded entirely by revenue from non-appropriation sources. It will be seen that while infrastructure, plant and equipment will increase marginally in 2004-05 due to additional staffing needs, it will then gradually decline in value over the outer years. Intangibles will increase by \$1.1 million as a result of development and implementation of electronic data management systems.

Provisions consist of employee entitlements to annual and long service leave, making-good leased premises and equalising lease incentives.

The retained surpluses in equity reflect the aim of maintaining reserves at sufficient levels (five to ten per cent of levies) to meet unforeseen business needs, in terms of supervision of at risk institutions and enforcement actions.

The Departmental Statement of Cash Flows (Table 3.3) reflects the increase in appropriations and other revenue and the once-only cash injection of \$3.0 million required for superannuation licensing activities discussed earlier. That cash will be repaid in the following year when the license fees are received from superannuation licensees. A cash pool is also required at the end of June to overcome expected cash flow timing delays arising from the billing of non-superannuation entities during the month of June, to fund employee entitlements and because of the need to leave the initial cash collected in the Official Public Account for the activities of Australian Securities and Investments Commission (ASIC) and Australian Taxation Office (ATO).

Tables 3.4 and 3.5 show the amount budgeted for capital and the effect on non-financial assets in 2004-05. Except for the cash injection of \$3.0 million for superannuation licensing timing delays, the additions are fully funded by APRA's own resources and the bulk of the acquisitions will be for software.

The Administered Statements show the total amount collected and administered by APRA, on behalf of the Government, in supervisory levies from the finance industry. The cash collected is swept daily from the APRA account to the Official Public Account, from which APRA, in turn, draws down the amounts appropriated to it by the Parliament.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in APRA's non-financial assets over the Budget year.

NOTE OF ADMINISTERED ACTIVITY

Details of transactions administered by the agency on behalf of the Australian Government 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 Australian Government. It also discloses administered revenues from government and transfers to the Official Public Account.

Note of budgeted administered financial position

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

Note of budgeted administered cash flows

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

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	69,976	(K1) ⁽¹⁾ 77,452	83,948	85,009	85,383
Goods and services	1,419	1,348	1,373	1,399	1,426
Interest	1,528	1,550	1,600	1,650	1,700
Other	2,025	3,625	10,025	3,800	2,750
Total revenues from ordinary activities	74,948	83,975	96,946	91,858	91,259
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	46,806	56,641	61,550	60,538	60,443
Suppliers	22,271	24,868	27,074	25,853	25,602
Depreciation and amortisation	3,995	4,186	4,816	5,118	5,014
Total expenses from ordinary activities (excluding borrowing costs expense)	73,072	85,695	93,440	91,509	91,059
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	1,876	(1,720)	3,506	349	200

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	16,164	13,455	14,713	14,447	15,951
Receivables	1,350	2,139	1,735	1,672	1,185
Accrued revenues	2,304	2,704	2,304	2,304	2,304
Total financial assets	19,818	18,298	18,752	18,423	19,440
Non-financial assets					
Infrastructure, plant and equipment	5,487	5,679	4,781	3,967	2,698
Intangibles	4,709	5,830	7,956	8,933	9,713
Other	443	643	444	444	443
Total non-financial assets	10,639	12,152	13,181	13,344	12,854
Total assets	30,457	30,450	31,933	31,767	32,294
LIABILITIES					
Provisions					
Employees	16,228	15,708	16,540	16,607	16,940
Other	1,870	1,698	1,525	1,353	1,181
Total provisions	18,098	17,406	18,065	17,960	18,121
Payables					
Suppliers	723	2,294	3,147	2,702	2,834
Other	2,769	569	-	-	-
Total payables	3,492	2,863	3,147	2,702	2,834
Total liabilities	21,590	20,269	21,212	20,662	20,955
EQUITY					
Parent entity interest					
Contributed equity	5,255	8,255	5,255	5,255	5,255
Reserves	488	522	556	591	625
Retained surpluses or accumulated deficits	3,124	1,404	4,910	5,259	5,459
Total parent entity interest	8,867	10,181	10,721	11,105	11,339
Total equity	8,867	10,181	10,721	11,105	11,339
Current assets	20,261	18,941	19,196	18,867	19,883
Non-current assets	10,196	11,509	12,737	12,900	12,411
Current liabilities	12,446	11,338	12,206	11,967	12,026
Non-current liabilities	9,144	8,932	9,006	8,695	8,929

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	69,976	77,452	83,948	85,009	85,383
Goods and services	1,095	1,150	1,027	1,134	1,209
Interest	1,550	1,550	1,600	1,650	1,700
Other	5,554	2,425	10,025	3,452	2,385
Total cash received	78,175	82,577	96,600	91,245	90,677
Cash used					
Employees	44,142	56,316	61,235	60,227	60,141
Suppliers	21,802	26,495	26,182	25,759	24,457
Total cash used	65,944	82,811	87,417	85,986	84,598
Net cash from or (used by) operating activities	12,231	(234)	9,183	5,259	6,079
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	25	25	25	25	25
Total cash received	25	25	25	25	25
Cash used					
Purchase of property, plant and equipment	4,807	5,500	4,950	5,550	4,600
Total cash used	4,807	5,500	4,950	5,550	4,600
Net cash from or (used by) investing activities	(4,782)	(5,475)	(4,925)	(5,525)	(4,575)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	3,000	-	-	-
Total cash received	-	3,000	-	-	-
Cash used					
Dividends paid	2,100	-	3,000	-	-
Total cash used	2,100	-	3,000	-	-
Net cash from of (used by) financing activities	(2,100)	3,000	(3,000)	-	-
Net increase/(decrease) in cash held	5,349	(2,709)	1,258	(266)	1,504
Cash at the beginning of the reporting period	10,815	16,164	13,455	14,713	14,447
Cash at the end of the reporting period	16,164	13,455	14,713	14,447	15,951

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
CAPITAL APPROPRIATIONS					
Total loans	-	(K3) ⁽¹⁾ 3,000	-	-	-
Total	-	3,000	-	-	-
Represented by					
Other	-	3,000	-	-	-
Total	-	3,000	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	-	5,500	4,950	5,550	4,600
Total	-	5,500	4,950	5,550	4,600

1. K3 shows the link back to Table 1.1.

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	5,487	-	-	4,709	10,196
Additions	-	-	-	2,000	-	-	3,500	5,500
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(1,808)	-	-	(2,379)	(4,187)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	5,679	-	-	5,830	11,509
Represented by								
Self funded	-	-	-	2,000	-	-	3,500	5,500
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	2,000	-	-	3,500	5,500

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Non-taxation					
Other	85,433	96,903	103,399	104,460	104,834
Total non-taxation	85,433	96,903	103,399	104,460	104,834
Total revenues administered on behalf of Government	85,433	96,903	103,399	104,460	104,834
EXPENSES					
Write down and impairment of assets	500	500	500	500	500
Total expenses administered on behalf of Government	500	500	500	500	500

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Receivables	200	150	150	150	150
Total financial assets	200	150	150	150	150
Total assets administered on behalf of Government	200	150	150	150	150
Current assets	200	150	150	150	150
Non-current assets	-	-	-	-	-

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Other	85,283	96,753	103,249	104,310	104,684
Total cash received	85,283	96,753	103,249	104,310	104,684
Cash used					
Cash to Official Public Account	85,283	96,753	103,249	104,310	104,684
Total cash used	85,283	96,753	103,249	104,310	104,684
Net cash from or (used by) operating activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	-	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Agency financial statements and notes to administered items

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

Agency assets, liabilities, revenues and expenses in relation to an agency or authority are those which are controlled by the agency. Agency expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.

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

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

Budgeted agency statement of financial performance

Revenues from government

APRA is funded by a special appropriation for levies, late lodgement and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. The revenue reported by APRA is net of the levies retained in the Official Public Account to fund the Australian Securities and Investments Commission (ASIC) for consumer protection and market integrity functions, and to the Australian Taxation Office (ATO), for unclaimed monies and lost member functions.

Depreciation and amortisation

APRA's depreciation expense is increasing over time due to the development and implementation of infrastructure that will provide APRA staff with accurate and timely financial information about regulated entities and that will allow APRA to act as the central repository for this information. The introduction of this system has resulted in a shorter useful life and increased depreciation for some of APRA's legacy software systems.

Budgeted agency statement of financial position

Financial assets

These include cash, levies invoiced but still outstanding at the financial year end and other revenue receivables.

All accounts receivable are recorded at their estimated recoverable amount.

Non-financial assets

Non-financial assets include leasehold improvements, furniture and fittings, computer hardware and office equipment. Intangible assets comprise capitalised software, including work in progress. APRA does not own any land or buildings.

Other non-financial assets include prepayments.

Debt

Other debt includes lease incentives.

Provisions and payables

Provisions and payables represent liabilities for miscellaneous accruals and employee benefits, including accrued salary and leave entitlements.

Equity

The opening balance represents the net value of assets and liabilities transferred from the Reserve Bank of Australia and the Insurance and Superannuation Commission on the formation of APRA on 1 July 1998.

Budgeted agency statement of cash flows

Cash received from operating activities includes the appropriation for levies collected from industry less amounts collected on behalf of ATO and ASIC, cash from fees and charges, and interest earned on cash balances and investments held as government backed securities.

Cash used in investing activities includes cash spent on property, plant and equipment.

Note of budgeted administered financial performance

Revenues

The other non-taxation revenues are the levies, late lodgement and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. The revenue reported in this statement is higher than that reported by APRA in the budgeted agency statement of financial position by the amount retained in the Official Public Account to fund ASIC for consumer protection and market integrity functions, and to the ATO, for unclaimed monies and lost member functions.

Note of budgeted administered financial position

Financial assets

The financial assets include levy debt invoiced and still outstanding at year end.

Accrued revenue is for levies on returns lodged but not invoiced at the end of the financial year.

Provisions and payables

The 'Other' provisions and payables is revenue in advance for levies collected before the end of the financial year for supervision in the following financial year.

Note of budgeted administered cash flows

All cash collected by APRA for levies, late lodgement and late payment penalties under the *Financial Institutions Supervisory Levies Collection Act 1998* is transferred to the Official Public Account at the close of business each day.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian Prudential Regulation Authority is not party to any cross agency purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

Cost recovery arrangements have been negotiated with the large Authorised Deposit-Taking Institutions for services in relation to the implementation of the *New Basel Capital Accord*, in accordance with government cost recovery guidelines. While the final amounts have yet to be determined, the budgeted impact of this arrangement in 2004-05 is expected to result in revenue flows of the order of \$1.9 million. Cost recovery arrangements are currently being negotiated with the Australian Bureau of Statistics and Reserve Bank of Australia for the provision of certain statistical services provided to them. Recoveries are estimated to be about \$0.5 million for these services.

Cost recovery arrangements will be put in place for licensing of superannuation funds commencing in the year ending June 2005.

These costs are reflected in the Statement of Financial Performance (Table 3.1) as part of other revenue from ordinary activities.

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Australian Securities and Investments Commission (ASIC) is an independent government body that enforces company and financial services laws to protect consumers, investors and creditors. The Commission is established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

The ASIC Act requires that the Commission:

- uphold the law uniformly, effectively and quickly;
- promote confident and informed participation by investors and consumers in the financial system;
- make information about companies and other bodies available to the public; and
- improve the performance of the financial system and the entities within it.

In performing its functions ASIC works closely with other financial, consumer and law enforcement bodies in Australia and internationally.

APPROPRIATIONS AND RESOURCING

The total appropriation for ASIC in the 2004-05 Budget is \$237.1 million. Table 1.1 details the total appropriation for ASIC. It includes details of agency revenue received from other sources, administered special appropriations provided by government and equity injections.

Table 1.2 details funding provided for new budget measures in 2004-05.

Australian Securities and Investments Commission — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000			\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations ⁽⁴⁾	Total administered appropriations	Total appropriations
	Bill No. 1	Total		Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)	(I = F+G+H) (1) ⁽¹⁾	
Outcome 1 - A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	(A)	(B) (C = A+B) (C1) ⁽¹⁾	(D) (E = C+D) (E1) ⁽¹⁾				(J = C+I)
	199,842	- 199,842	6,820 206,662	-	-	26,000	225,842
	199,842	97%	3%	-	-		
Total	- (K1) ⁽¹⁾	199,842	6,820 206,662	-	-	26,000 (K2) ⁽¹⁾ 26,000	225,842
				Agency capital (equity injections and loans)			(K3) ⁽¹⁾ 11,300
				Administered capital			-
				Total appropriations			237,142

1. C1, E1 and I1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 and K2 refer to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance and Table 3.6, Note of Budgeted Financial Performance Administered on behalf of the Government, respectively. K3 refers to information provided in Table 3.4, Agency Capital Budget Statement.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

4. Estimated expenses from special appropriations are shown in Table 1.5.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION SUMMARY

Table 1.2: Summary of measures disclosed in the 2004-05 Budget

Measure	Outcome	Output Groups affected	2004-05 appropriations budget \$'000			2005-06 appropriations forward estimate \$'000			2006-07 appropriations forward estimate \$'000			2007-08 appropriations forward estimate \$'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
Australian Securities and Investments Commission - enhanced enforcement activities and consumer protection and corporate sector regulation	1	1.1	-	13,500	13,500	-	14,900	14,900	-	15,400	15,400	-	16,300	16,300
Australian Securities and Investments Commission - enhanced enforcement activities and consumer protection and corporate sector regulation <i>(Related capital)</i>	1	1.1	-	-	-	-	-	-	-	-	-	-	-	-
Superannuation Complaints Tribunal - relocation	1	1.1	-	840	840	-	290	290	-	314	314	-	328	328

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Services	3,200	3,264
Interest	1,750	700
Other	2,800	2,856
Total non-appropriation agency revenues	7,750	6,820

Services

The Productivity Commission's cost recovery guidelines apply to the sale of imaging/printing services, which is estimated to be \$0.9 million in 2004-05.

ASIC's pricing of these services has been reviewed by the Productivity Commission and has been found to be consistent with its guidelines.

Revenues for services includes seminars/speakers fees, imaging/printing services and sale of database information.

Other revenue includes amounts recovered by ASIC for court costs and investigations and prosecution disbursement.

MOVEMENT OF ADMINISTERED FUNDS FROM 2003-04 TO 2004-05

Table 1.4: Movement of administered funds from 2003-04 to 2004-05

Movement of funding between years	\$ 2.0 million
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Banking Act 1959: The estimate for repayments to be made to claimants was revised upwards by \$2.0 million following a review of anticipated claims.

SPECIAL APPROPRIATIONS

Table 1.5: Estimates of expenses from special appropriations

	2003-04 estimated expenses \$'000	2004-05 estimated expenses \$'000
ESTIMATED EXPENSES		
Special appropriations		
Estimated payments of banking unclaimed monies paid under the <i>Banking Act 1959</i>	18,000	20,000
Estimated payments of life insurance unclaimed monies paid under <i>the Life Insurance Act 1995</i>	3,000	3,000
Estimated refunds of overpayments for fees paid under the <i>Corporations Act 2001</i>	3,000	3,000
Total estimated expenses for special appropriations	24,000	26,000

Note: For further details on each special appropriation refer to the following text.

Banking Act 1959: Approved Deposit Taking Institutions, being Banks, Building Societies and Credit Unions, are required to remit to the Australian Government, the balance in bank accounts that have remained dormant for seven years. This special appropriation covers repayments estimated to be made to claimants from the Banking Unclaimed Monies Account where the validity of the claim has been established by the relevant institution.

Life Insurance Act 1995: Life Insurance Companies and Friendly Societies are required to remit to the Australian Government amounts payable on matured life insurance policies that have remained unclaimed for seven years. This special appropriation covers estimated payments made to claimants from the Life Unclaimed Monies Account where the validity of the claim has been established by the relevant Life Insurance Companies.

Refund of overpayment of fees paid under the Corporations Act 2001: All fees and charges collected in accordance with the Corporations Act are banked into consolidated revenue in accordance with section 81 of the Constitution. The amount of \$3 million represents the estimated refund of overpaid fees and charges, which requires separate appropriation in accordance with section 83 of the Constitution.

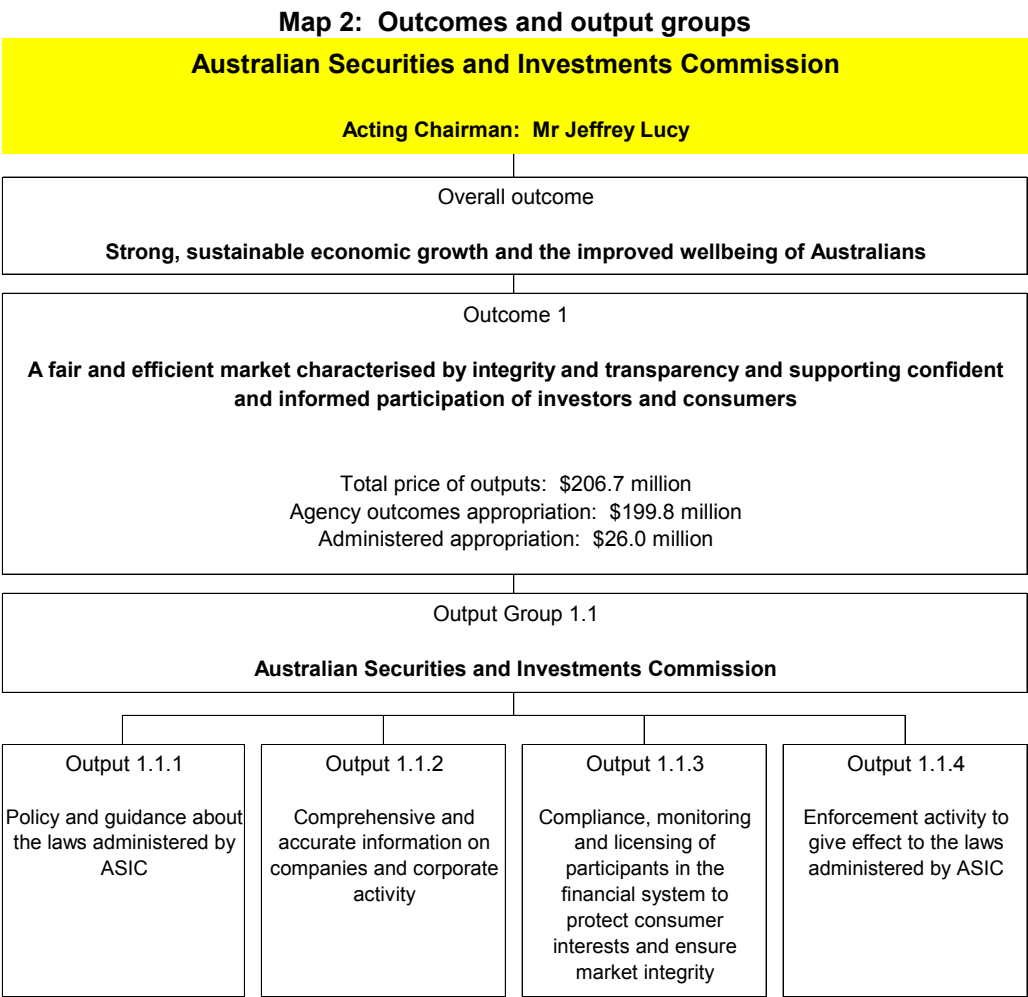
AGENCY EQUITY INJECTIONS AND LOANS

An equity injection of \$11.3 million in 2004-05 is proposed to address accumulated past year losses and expected losses in 2004-05 and will place ASIC's balance sheet in a positive equity position.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Australian Securities and Investments Commission (ASIC).



Output cost attribution

Each programme of activity (cost centre) in ASIC is linked to one of the four outputs. Accordingly, expenses against these programmes accrue against the outputs as they occur.

Where an expense relates to more than one output, it is allocated using a predetermined formula. For example, property lease expenses are allocated using staff numbers attributed to each programme.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs

OUTCOME 1 — DESCRIPTION

A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Measures affecting Outcome 1

Australian Securities and Investments Commission — enhanced enforcement activities and consumer protection and corporate sector regulation

The Government will provide \$52.5 million over four years to the Australian Securities and Investments Commission (ASIC) to strengthen its ability to meet increased demand for its core operations, enhancing its enforcement activities and its capacity to protect consumers against investment scams.

The Government will also provide funding of \$7.6 million over four years to support ASIC's role in implementing reforms of Part 9 of the Corporate Law Economic Reform Programme (CLERP 9), to strengthen its surveillance and enforcement activities, and to ensure auditor compliance with auditing standards.

The cost of these initiatives will be offset by a \$12 increase in the annual review fee for proprietary companies and efficiencies created by changes to, and expansion of, the fee collection system. This is the first increase in this fee since 1997.

The review fee, which is imposed under the *Corporations (Review Fees) Act 2003*, is payable by proprietary companies required to undertake an annual review of their company details against information provided by ASIC. The fee increase will take effect from 1 July 2004.

The Government will provide an equity injection of \$11.3 million to ASIC in 2004-05 to address cumulative operating losses in 2003-04 and previous years. The losses resulted from increases in enforcement costs, demand for services (notably in the number of complaints received), and staff costs. The provision of an equity injection is a financial transaction within the general government sector and consequently has no direct impact on the fiscal balance.

Superannuation Complaints Tribunal — relocation

The Government will provide \$1.7 million over four years to fund expenses associated with leasing new premises for the Superannuation Complaints Tribunal following expiry of its current lease.

The Tribunal is funded by levies on superannuation funds collected by the Australian Prudential Regulation Authority under the *Financial Institutions Supervisory Levies Collections Act 1998*. From 1 July 2004, these levies will be adjusted to offset the costs associated with fitting-out and leasing the new premises.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Administered appropriations		
Special appropriations		
<i>Banking Act 1959</i> - Banking Unclaimed Monies	18,000	20,000
<i>Life Insurance Act 1995</i> - Life Unclaimed Monies	3,000	3,000
Reimbursement of overpayment of fees paid under the <i>Corporations Act 2001</i>	3,000	3,000
Total administered appropriations	24,000	(I1) ⁽¹⁾ 26,000
Agency appropriations		
Output Group 1.1 - Australian Securities and Investments Commission		
Output 1.1.1 - Policy and guidance about the laws administered by ASIC	9,327	9,352
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	44,250	48,002
Output 1.1.3 - Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	58,328	61,351
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	80,879	81,137
Total revenues from government (appropriations)	192,784	(C1) ⁽¹⁾ 199,842
Contributing to price of agency outputs	96%	97%
Revenue from other sources		
Services	3,200	3,264
Interest	1,750	700
Other	2,800	2,856
Total revenue from other sources	7,750	6,820
Total price from agency outputs		
(Total revenues from government and from other sources)	200,534	(E1) ⁽¹⁾ 206,662
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	224,534	232,662
	2003-04	2004-05
Average staffing level (number)	1,498	1,573

1. C1, E1 and I1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

ASIC has developed a framework to ensure that delivery of specified outputs meets or exceeds anticipated requirements. These outputs reflect the programmes and activities ASIC undertakes as a regulatory authority to meet the objective of Outcome 1.

Through ASIC, the Government seeks to ensure that consumers and investors receive honest and competent financial advice that is untainted by conflicts of interest, and that information about corporations is current and accurate. ASIC also has an enforcement and regulatory role designed to deal with misconduct in order to promote a confident and informed market.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - Australian Securities and Investment Commission	
Output 1.1.1 - Policy and guidance about the laws administered by ASIC	In financial year 2004-05, ASIC will measure: The effectiveness of new policies to assist companies adjust to the financial services reform legislation; and The extent to which consumers, investors and other stakeholders are consulted during policy formulation.
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	Successful transition to CLERP 7 requirements for ongoing and regular review by companies to verify the accuracy of their respective company record. Development and implementation of a variety of compliance programs to ensure that companies meet their responsibilities to lodge prescribed information under the CLERP 7 legislation. Increased public access to company information via a variety of accessible and useful channels.
Output 1.1.3 - Compliance monitoring and licensing of FSR participants in the financial system to protect consumer interests and ensure market integrity	ASIC's objective is to focus compliance activities on specific patterns, problems or risk areas and to respond to these problems with integrated national campaigns that use a range of regulatory tools. Specific indicators are developed for each campaign. FSR Licensing and surveillance - Stakeholders' satisfaction with discretionary decision-making as measured by survey;

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.3 - Compliance monitoring and licensing of FSR participants in the financial system to protect consumer interests and ensure market integrity (continued)	- Level and quality of guidance to industry as measured by a reduction in the number of requests for guidance over four years; - 70 per cent of targeted surveillances result in corrective action; - Surveillance of 40 per cent of licensed population over four years; and - 70 per cent of licence applications and variations reviewed within 15 business days measured over a period of four years.
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	Investigations cover a range of breaches across the full spectrum of ASIC's responsibilities. Enhanced public confidence in, and awareness of, ASIC enforcement as measured by survey or stakeholder feedback, an increased level of provision of or attendance at seminars addressing compliance issues and increased media coverage. Increased percentage of complex investigations completed within 12 months. Increased number of enforcement actions arising from our investigations. Portion of public complaints actioned.

EVALUATIONS

ASIC regularly seeks feedback from consumers, investors and other stakeholders on the effectiveness of policy advice and administration of the law.

The results of ASIC's performance are presented in its Annual Report.

The Australian Government's financial sector reforms are due to be reviewed by the Financial Sector Advisory Council in the 2004-05 financial year.

Section 3: Budgeted financial statements

The budgeted agency and financial statements and related notes for the Australian Securities and Investments Commission (ASIC) are presented in this section. The financial statements should be read in conjunction with the accompanying notes. The Budget estimate and three forward years comprise the following statements.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The estimated actual operating result for 2003-04 is an approved loss of \$5.0 million, attributable to an increase in expenses arising from increased activity levels. The Australian Government has increased ASIC's funding in 2004-05 to address the expected loss.

Total expenses including borrowing costs for 2004-05 are estimated to be \$206.7 million, an increase of \$4.1 million over the prior financial year. The expenditure will be used to fund increased activity levels arising from the increasing demands for ASIC's services including actioning complaints and increased surveillance and enforcement activities.

ASIC is budgeting for a breakeven operating result for 2004-05 and for the remainder of the forward estimates.

Budgeted agency statement of financial position

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

Equity

ASIC's budgeted equity (or net asset position) for 2004-05 will increase by \$11.3 million to address accumulated past year losses.

This equity injection will place ASIC in a positive equity position and is reflected as an increase in cash and in total equity.

Financial Assets

The increase in cash arising from the equity injection of \$11.3 million referred to above, has resulted in total financial assets increasing by approximately the same amount.

Non-Financial Assets

A revaluation of leasehold improvements occurred during 2003-04 in accordance with ASIC's policy to revalue all classes of non-financial assets every three years. This revaluation increased the written down fair value of leasehold improvements by \$2.6 million.

The overall value of non-financial assets is not expected to materially increase in 2004-05.

Liabilities – Debt

The principal item under this heading is the estimated amount owing by ASIC in respect of finance leases for computer equipment and peripherals. The forward estimates assume that ASIC will continue to lease all future equipment acquisitions made in accordance with its asset replacement programme.

Provisions and payables

The principal item under this heading is employee leave provisions and accruals. The amount is expected to decline as a percentage of total salaries over the forward estimates as the provisions of the Certified Agreement take effect.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency 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.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriation or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in ASIC's non-financial assets during the budget year.

NOTE OF ADMINISTERED ACTIVITY

The financial results from revenue and special appropriations administered by ASIC on behalf of the Australian Government are shown in the following notes to the financial statements.

Note of budgeted administered financial performance

The statement of financial performance shows the revenue and expenses associated with the collection of revenue under the *Corporations Act 2001*, and ASIC's responsibilities in administering unclaimed monies under the *Banking Act 1959*, the *Life Insurance Act 1995* and the *Corporations Act 2001*.

Revenues from government include the budgeted amount of appropriation required to pay claimants for unclaimed monies previously transferred to consolidated revenue and refunds for overpaid fees and charges under the *Corporations Act 2001*.

Expenses represent the budget estimate for the payment of unclaimed monies and overpayments referred to above and the budgeted estimate for bad debt expense.

Other revenue represents the amount of fees and charges budgeted to be levied under the *Corporations Act 2001*. The increase in 2004-05 is the result of an increase in the number of companies being incorporated and an increase in the annual review fee of \$12.00. This is the first increase in the annual review fee since 1997.

Note of budgeted administered financial position

Financial Assets

The amount shown for receivables in 2003-04 and in the forward estimates is the estimated amount of fees and charges under the *Corporations Act 2001* remaining unpaid.

Liabilities — payables

The amounts shown in the forward estimates represent the estimated amount of refunds relating to over payments of annual review and other fees under the *Corporations Act 2001*.

Note of budgeted administered cash flows

Budgeted administered 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.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	192,784	(K1) ⁽¹⁾ 199,842	188,226	187,701	190,231
Services	3,200	3,264	3,329	3,396	3,464
Interest	1,750	700	700	700	700
Other	2,800	2,856	2,913	2,971	3,031
Total revenues from ordinary activities	200,534	206,662	195,168	194,768	197,426
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	117,700	126,222	124,622	124,555	126,072
Suppliers	70,534	65,997	55,690	54,933	56,074
Depreciation and amortisation	13,500	13,791	14,148	14,572	14,572
Write-down of assets	100	-	-	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)	201,834	206,010	194,460	194,060	196,718
Borrowing costs expense	700	652	708	708	708
Operating surplus or (deficit) from ordinary activities	(2,000)	-	-	-	-
Less dividend paid ⁽²⁾	3,000	-	-	-	-
Net surplus or (deficit)	(5,000)	-	-	-	-

1. K1 shows the link back to Table 1.1.

2. An amount of \$3 million appropriated in 2003-04 has been reprofiled to 2004-05 and is reflected in the statement of financial performance as a dividend payment to government in 2003-04 and corresponding increase in ASIC's 2004-05 appropriation.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	6,297	15,817	13,901	12,386	12,890
Receivables	1,794	1,830	1,867	1,904	1,942
Total financial assets	8,091	17,647	15,768	14,290	14,832
Non-financial assets					
Leasehold improvements	11,473	11,159	10,790	10,490	10,415
Infrastructure, plant and equipment	11,552	12,745	12,205	12,904	11,847
Intangibles	12,382	11,835	11,997	12,747	12,247
Other	1,036	1,036	1,036	1,036	1,036
Total non-financial assets	36,443	36,775	36,028	37,177	35,545
Total assets	44,534	54,422	51,796	51,467	50,377
LIABILITIES					
Interest bearing liabilities					
Leases	10,352	11,402	10,701	11,239	10,018
Other	2,258	1,711	1,182	773	515
Total interest bearing liabilities	12,610	13,113	11,883	12,012	10,533
Provisions					
Employees	27,939	26,593	26,338	26,235	26,621
Total provisions	27,939	26,593	26,338	26,235	26,621
Payables					
Suppliers	7,419	6,850	5,709	5,354	5,357
Total payables	7,419	6,850	5,709	5,354	5,357
Total liabilities	47,968	46,556	43,930	43,601	42,511
EQUITY					
Parent entity interest					
Contributed equity	2	11,302	11,302	11,302	11,302
Reserves	7,850	7,850	7,850	7,850	7,850
Retained surpluses or accumulated deficits	(11,286)	(11,286)	(11,286)	(11,286)	(11,286)
Total parent entity interest	(3,434)	7,866	7,866	7,866	7,866
Total equity	(3,434)	7,866	7,866	7,866	7,866
Current assets	9,127	18,683	16,804	15,326	15,868
Non-current assets	35,407	35,739	34,992	36,141	34,509
Current liabilities	27,122	26,268	24,517	24,277	23,798
Non-current liabilities	20,846	20,288	19,413	19,324	18,713

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	189,786	199,842	188,226	187,701	190,231
Services	2,970	3,078	3,142	3,300	3,426
Interest	1,750	700	700	700	700
GST recovered	4,553	4,491	4,501	4,411	4,411
Other	2,800	2,856	2,913	2,971	3,031
Total cash received	201,859	210,967	199,482	199,083	201,799
Cash used					
Employees	126,916	128,065	123,042	124,549	126,224
Suppliers	64,974	70,957	63,546	60,158	60,202
Borrowing costs	700	652	708	708	708
Total cash used	192,590	199,674	187,296	185,415	187,134
Net cash from or (used by) operating activities	9,269	11,293	12,186	13,668	14,665
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	8,926	6,569	6,380	7,432	8,940
Total cash used	8,926	6,569	6,380	7,432	8,940
Net cash from or (used by) investing activities	(8,926)	(6,569)	(6,380)	(7,432)	(8,940)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	11,300	-	-	-
Total cash received	-	11,300	-	-	-
Cash used					
Repayments of finance lease principal	5,234	6,504	7,722	7,751	5,221
Total cash used	5,234	6,504	7,722	7,751	5,221
Net cash from or (used by) financing activities	(5,234)	4,796	(7,722)	(7,751)	(5,221)
Net increase/(decrease) in cash held	(4,891)	9,520	(1,916)	(1,515)	504
Cash at the beginning of the reporting period	11,188	6,297	15,817	13,901	12,386
Cash at the end of the reporting period	6,297	15,817	13,901	12,386	12,890

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	2	(K3) ⁽¹⁾ 11,300	-	-	-
Total	2	11,300	-	-	-
Represented by					
Purchase of non-current assets	2	-	-	-	-
Other	-	11,300	-	-	-
Total	2	11,300	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	2	-	-	-	-
Funded internally by agency resources	8,924	6,569	6,380	7,432	8,940
Total	8,926	6,569	6,380	7,432	8,940

1. K3 shows the link back to Table 1.1.

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	Land	Leasehold improvements	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	-	11,473	-	11,552	-	12,382	-	35,407
Additions	-	3,139	-	8,651	-	2,333	-	14,123
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(3,453)	-	(7,458)	-	(2,880)	-	(13,791)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	11,159	-	12,745	-	11,835	-	35,739
Represented by								
Self funded	-	3,139	-	8,651	-	2,333	-	14,123
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	3,139	-	8,651	-	2,333	-	14,123

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Non-taxation					
Revenues from government	24,000	(K2) ⁽¹⁾ 26,000	28,000	30,000	34,000
Interest	140	140	140	140	140
Other	471,696	499,500	507,700	515,200	522,300
Total non-taxation	495,836	525,640	535,840	545,340	556,440
Total revenues administered on behalf of Government	495,836	525,640	535,840	545,340	556,440
EXPENSES					
Other	45,200	39,600	42,000	40,500	49,000
Total expenses administered on behalf of Government	45,200	39,600	42,000	40,500	49,000

1. K2 shows the link back to Table 1.1.

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	2,000	2,000	2,000	2,000	2,000
Receivables	60,196	65,426	68,014	71,410	71,748
Total financial assets	62,196	67,426	70,014	73,410	73,748
Total assets administered on behalf of Government	62,196	67,426	70,014	73,410	73,748
LIABILITIES					
Payables					
Other	1,500	4,300	5,300	5,300	5,700
Total Payables	1,500	4,300	5,300	5,300	5,700
Total liabilities administered on behalf of Government	1,500	4,300	5,300	5,300	5,700
Current assets	62,196	67,426	70,014	73,410	73,748
Non-current assets	-	-	-	-	-
Current liabilities	1,500	4,300	5,300	5,300	5,700
Non-current liabilities	-	-	-	-	-

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Cash from Official Public Account	24,000	26,000	28,000	30,000	34,000
Other	402,422	483,610	492,252	501,444	507,502
Total cash received	426,422	509,610	520,252	531,444	541,502
Cash used					
Cash to Official Public Account	405,800	483,610	492,252	501,444	507,502
Other	24,000	26,000	28,000	30,000	34,000
Total cash used	429,800	509,610	520,252	531,444	541,502
Net cash from or (used by) operating activities	(3,378)	-	-	-	-
Net increase/(decrease) in cash held	(3,378)	-	-	-	-
Cash at beginning of reporting period	5,378	2,000	2,000	2,000	2,000
Cash at end of reporting period	2,000	2,000	2,000	2,000	2,000

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

Budgeted agency financial statements

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

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

Administered items are revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the Australian Government according to set government directions. Administered expenses and administered revenues include taxes, fees, fines and expenses that have been earmarked for a specific purpose by government.

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided for:

- departmental price of outputs appropriations representing the Australian Government's purchase of outputs from agencies;
- departmental capital appropriations for investments by the Australian Government for either additional equity or loans in agencies;
- administered expense appropriations for the estimated administered expenses relating to an existing outcome or a new outcome; and
- administered capital appropriations for increases in administered equity through funding non-expense administered payments.

Asset valuation

From 1 July 2002, Australian Government agencies and authorities are required to use either the cost basis or the fair value basis to value infrastructure, plant and equipment and leasehold improvements on a three yearly revaluation cycle. ASIC has adopted fair value as a basis for valuing its non-current assets.

Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of financial performance on a basis that is representative of the pattern of benefits derived from the lease assets.

Depreciation and amortisation

Depreciable plant and equipment and leased information technology assets are written off to their estimated residual values over their estimated useful lives using in all cases the straight line method of depreciation. Leasehold improvements are amortised on a straight line basis over the lesser of the estimated life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) are reviewed at each balance date and necessary adjustments are recognised.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian and Securities and Investments Commission (ASIC) is not party to any cross agency purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

Cost Recovery Impact Statement: Sustaining ASIC's Operations

Reason for preparing a Cost Recovery Impact Statement (CRIS)

It is proposed to offset the increase in expenses associated with sustaining ASIC's operations by an increase to the annual review fee. Corporations fees form part of an existing arrangement whereby fees are collected from companies and other corporations and paid into consolidated revenue. These monies assist the Australian Government to fund the various costs of the national corporate regulation scheme, including the operations of ASIC.

The policy for setting corporations fees, including the annual review fee, will be subject to a comprehensive review under the Commonwealth Cost Recovery Guidelines in 2007-08.

Description of proposed cost recovery arrangement

The annual review fee increase will offset funding for ASIC to deal with pressing financial issues that threaten its continued ability to meet its mandate. These include several unavoidable cost increases in litigation, and an increase in demand for ASIC's services (notably complaints received from the public requiring investigation).

There will also be resourcing to fund consumer protection initiatives to provide targeted consumer education and to deal with an expanding range of scams including wealth creation seminars, property schemes, mortgage brokers, and unsolicited offers to shareholders at below market prices. Most of the funding for this initiative will be available from 2005-06.

Details of compliance with cost recovery policy

The longstanding policy of successive governments has been that, over time, the total corporation fees paid will cover the total costs of the corporate regulatory scheme. These scheme costs include: ASIC's costs of collecting the fees, ASIC's annual appropriation, the cost in running the Corporations and Markets Advisory Committee, the Australian Accounting Standards Board, Commonwealth compensation payments to the States and the Northern Territory, and contribution towards the costs incurred by Australian Government agencies such as the Director of Public Prosecutions, the Federal Court and the Administrative Appeals Tribunal.

The proposed annual review fee increase is consistent with the existing funding arrangements so that the increase in ASIC's costs will be funded from corporations fee revenues. The estimated revenue recouped by the increase equates to the costs in each year, and is shown below:

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
Proposed expenditure	11.7	13.0	13.5	14.3
Proposed revenue from annual review fee increase ⁽¹⁾	11.7	13.0	13.5	14.3

1. Allowance has been made for bad debts and for the effect of the introduction of credit card and EFTPOS facilities.

Review

The Australian Government has announced that ASIC's funding arrangements, which form part of the broader funding arrangements for corporate regulation, will be reviewed for consistency with the Commonwealth Cost Recovery Guidelines in 2007-08.

AUSTRALIAN TAXATION OFFICE

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The role of the Australian Taxation Office (ATO) is to manage and shape taxation, excise and superannuation systems that fund services for Australians, giving effect to social and economic policy. Through these systems the ATO is the Australian Government's principal revenue management agency. In 2004-05, the ATO will collect 89.4 per cent of the Australian Government's revenue on behalf of the Australian community.

The main role of the ATO is to administer legislation for taxes, superannuation and excise (but not customs duty). In doing this, the ATO address broad issues affecting Australia's revenue system, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

The ATO also supports the delivery of community benefits, having roles in other services, including:

- Private Health Insurance;
- Family Assistance;
- Energy Grants Credits Scheme;
- Valuation Services; and
- Cross-Agency Support, such as working with Centrelink to reduce benefit fraud, with the Child Support Agency (CSA) to ensure income transfer for the care of children, and with the Australian Bureau of Statistics (ABS) to reduce the cost to the community of collecting statistical data.

APPROPRIATIONS AND RESOURCING

The total appropriation for the ATO in the 2004-05 Budget is \$7,907.9 million. Table 1.1 on the following page, shows the total appropriations by administered expenses, price of output appropriation and agency capital (appropriation for previous years’ outputs).

Table 1.2 details funding provided for new budget measures in 2004-05.

Australian Taxation Office — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000			\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations ⁽⁴⁾	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total	Bill No. 1	Bill No. 2		
	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(F)	(SPPs & NAOs) (G)	(H) (I = F+G+H) (I1) ⁽¹⁾	(J = C+I)
Outcome 1 - Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems	2,329,585	-	2,329,585	55,150	2,384,735	5,568,660	7,898,245
			98%	2%	100%		
	2,329,585	-	(K1) ⁽¹⁾ 2,329,585	55,150	2,384,735	5,568,660 (K2) ⁽¹⁾ 5,568,660	7,898,245
Total						Agency capital (equity injections and loans) Administered capital Total appropriations	(K3) ⁽¹⁾ 9,616 7,907,861

1. C1, E1 and I1 refer to information provided in Table 2.1 Total resources for Outcome 1. K1 and K2 refer to information provided in Table 3.1. Budgeted Agency Statement of Financial Performance and Table 3.6, Note of Budgeted Financial Performance Administered on behalf of the Government, respectively. K3 refers to information provided in Table 3.4, Agency Capital Budget Statement.

2. Refer to Table 3.1 Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government and revenue from other sources. Non-appropriated agency and administered revenues are detailed in Table 1.3.

4. Estimated expenses from special appropriations are shown in Table 1.5. The amount showing for special appropriations represents appropriations to deliver ATO programmes. Amounts disclosed under special appropriations do not include the expenditures to pay refunds under the tax system.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN TAXATION OFFICE SUMMARY**Table 1.2: Summary of measures disclosed in the 2004-05 Budget**

Measure	Outcome	Output Groups affected	2004-05			2005-06			2006-07			2007-08		
			appropriations budget \$'000			appropriations forward estimate \$'000			appropriations forward estimate \$'000			appropriations forward estimate \$'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
AusLink - redirection of funds from the Fuel Sales Grants Scheme	1	1.1	-	-	-	-	-	-	(265,000)	-	(265,000)	(270,000)	-	(270,000)
Australian Taxation Office - taxation and superannuation compliance	1	1.1	15,000	45,262	60,262	35,000	60,202	95,202	30,000	57,009	87,009	30,000	53,889	83,889
Incentives for saving for retirement - enhancement of Government superannuation co-contribution scheme	1	1.1	-	-	-	595,000	-	595,000	730,000	-	730,000	790,000	-	790,000
More help for families - changes to Family Tax Benefit Part A - lump sum payment and reduction in the taper between maximum and base rates	1	1.1	88,000	-	88,000	118,000	-	118,000	125,000	-	125,000	129,000	-	129,000

Table 1.2: Summary of measures disclosed in the 2004-05 Budget (continued)

Measure	Outcome	Output Groups affected	2004-05 appropriations budget \$'000			2005-06 appropriations forward estimate \$'000			2006-07 appropriations forward estimate \$'000			2007-08 appropriations forward estimate \$'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
More help for families - changes to Family Tax Benefit Part B - increase in threshold and reduction in taper	1	1.1	-	-	-	19,000	-	19,000	22,000	-	22,000	23,000	-	23,000
More help for families - protect Family Tax Benefit Part B for secondary earners returning to the workforce after the birth of a child	1	1.1	-	-	-	10,000	-	10,000	10,000	-	10,000	10,000	-	10,000
More help for families - introduction of maternity payment and abolition of Baby Bonus	1	1.1	-	-	-	(50,000)	-	(50,000)	(100,000)	-	(100,000)	(140,000)	-	(140,000)
Oil recycling - new category of grant	1	1.1	900	-	900	1,000	-	1,000	-	-	-	-	-	-
Refundable Film Tax Offset - extension to episodic television	1	1.1	-	-	-	2,000	-	2,000	4,000	-	4,000	6,000	-	6,000

Table 1.2: Summary of measures disclosed in the 2004-05 Budget (continued)

Measure	Outcome	Output Groups affected	2004-05 appropriations budget \$'000			2005-06 appropriations forward estimate \$'000			2006-07 appropriations forward estimate \$'000			2007-08 appropriations forward estimate \$'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
State, territory and local government organisations - transitional grants as compensation for lost access to a fringe benefits tax concession	1	1.1	23,000	912	23,912	19,000	439	19,439	19,000	454	19,454	19,000	469	19,469
Superannuation - new qualifying criteria for Government Co-contribution	1	1.1	45,000	-	45,000	50,000	-	50,000	50,000	-	50,000	50,000	-	50,000
Superannuation co-contribution implementation campaign	1	1.1	-	8,228	8,228	-	-	-	-	-	-	-	-	-

AGENCY AND ADMINISTERED REVENUES

Table 1.3: Agency and administered revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Agency section 31 receipts	64,344	53,420
Other	1,650	1,730
Total non-appropriation agency revenues	65,994	55,150
Appropriation revenue	2,251,336	2,329,585
Total estimated agency revenues	2,317,330	2,384,735
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
<i>Superannuation Guarantee (Administration) Act 1992 -</i> shortfalls, penalties and fines	311,000	326,000
<i>Superannuation Industry (Supervision) Act 1993 -</i> Self Managed Superannuation Fund Levy	12,700	13,800
Total Taxation Revenue	201,434,000	211,160,000
Miscellaneous receipts	12,000	12,000
Total non-appropriation administered revenues	201,769,700	211,511,800
Appropriation revenue	4,754,618	5,568,660
Total estimated administered revenues	206,524,318	217,080,460
Total estimated agency and administered revenues	208,841,648	219,465,195

Note: The amount showing for administered appropriation revenue represents appropriations to deliver ATO administered programmes and benefits. This amount does not include expenditures against appropriations to pay taxation refunds. Total taxation revenue is shown net of taxation refunds.

The ATO's non-appropriation revenues are for services provided to other government entities, primarily sourced from the Australian Valuation Office (AVO) services, Child Support Agency (CSA) and the Department of Family and Community Services (FACS).

AVO charges for the provision of valuation services to the Australian, state and local governments and operates in accordance with Commonwealth Competitive Neutrality Principles. AVO's estimated receipts in 2004-05 total \$18.9 million (excluding services provided to the ATO).

As a result of the Administrative Arrangement Orders (AAOs) in October 1998, CSA was transferred from the ATO to FACS. Under a memorandum of understanding and several service level agreements, the ATO continues to provide CSA with a variety of services, predominantly information technology and accommodation, with an estimated value of \$19.9 million in 2004-05. Future periods will see a decline in the non-appropriation revenue derived from CSA as services provided by the ATO are reduced.

The Family Assistance Office is a joint initiative of the ATO, Centrelink, and the Health Insurance Commission, with FACS having overall responsibility. The ATO assists with the administration and processing of claims made against the family assistance benefits. Receipts are estimated at \$8.9 million in 2004-05.

All of the ATO's revenue from independent sources is excluded from the definition of 'Cost Recovery' for the purposes of the Commonwealth Cost Recovery Guidelines for Regulatory Agencies.

SPECIAL APPROPRIATIONS

Table 1.5: Estimates of expenses from special appropriations

	2003-04 estimated expenses \$'000	2004-05 estimated expenses \$'000
ESTIMATED EXPENSES		
Special appropriations		
Refunds - section 16 <i>Tax Administration Act 1953</i>	44,050,000	46,509,000
Family Tax Benefit	410,000	523,712
Energy Grants (Credits) Scheme	3,210,000	3,353,000
Fuel Sales Grants Scheme	240,000	250,000
Measure for a Better Environment - Cleaner Fuels	15,000	73,000
Product Stewardship Waste Oil	12,298	15,943
Large Scale Film Production	12,000	93,000
Research and development refundable tax offset for small companies	190,000	205,000
Superannuation Co-contribution	-	275,000
<i>Superannuation Guarantee (Administration) Act 1992</i> - Distribution of charges	186,000	182,000
<i>Superannuation (Unclaimed Money and Lost Member) Act 1999</i> - Repayment of unclaimed monies	320	5
Transitional grants for State and Territory Government Organisations		
Compensation for lost access to a FBT concession	-	23,000
Total estimated expenses from special appropriations	48,325,618	51,502,660

Note: The total amount showing for special appropriations differs to the \$5,568.7 million shown in Tables 1.1, 1.3, 2.1, and 3.6 as it includes appropriations for tax refunds. In other tables taxation refunds are netted off against the tax revenue. Refunds under section 16 of the *Tax Administration Act 1953* are primarily taxation refunds but may include amounts for the First Child tax offset; the Private Health Insurance Benefit and interest on overpayments.

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
	B ⁽¹⁾	2003-04	2003-04	2003-04	2003-04
		opening	receipts	payments	closing
		balance			balance
		\$'000	\$'000	\$'000	\$'000
SPECIAL ACCOUNTS					
Australian Valuation Office ⁽²⁾		5,868	19,021	18,552	6,337
		5,663	18,218	18,013	5,868
Excise Security Deposits ⁽³⁾		49	20	20	49
		36	26	13	49
Other Trust Monies ⁽³⁾		20,852	250	20	21,082
		20,352	520	20	20,852
Superannuation Holding Accounts		60,021	38,000	34,000	64,021
Reserve Trust Account ⁽⁴⁾		56,021	34,000	30,000	60,021
Total special accounts		86,790	57,291	52,592	91,489

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).

2. This special account is departmental in nature and is governed by the *Financial Management and Accountability Act 1997*.

3. These special accounts are administered in nature and are governed by the *Financial Management and Accountability Act 1997*.

4. This special account is administered in nature and is governed by the *Superannuation Supervision Act 1995*.

Note: Figures are cash based and include transactions between the Australian Valuation Office and the Australian Taxation Office.

ADMINISTERED CAPITAL AND AGENCY EQUITY INJECTIONS AND LOANS

The ATO will receive an appropriation for Previous Years' Outputs of \$9.6 million in the 2004-05 Budget.

The ATO will not receive an appropriation for an equity injection, loan or administered capital in 2004-05 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Australian Taxation Office (ATO). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Output cost attribution

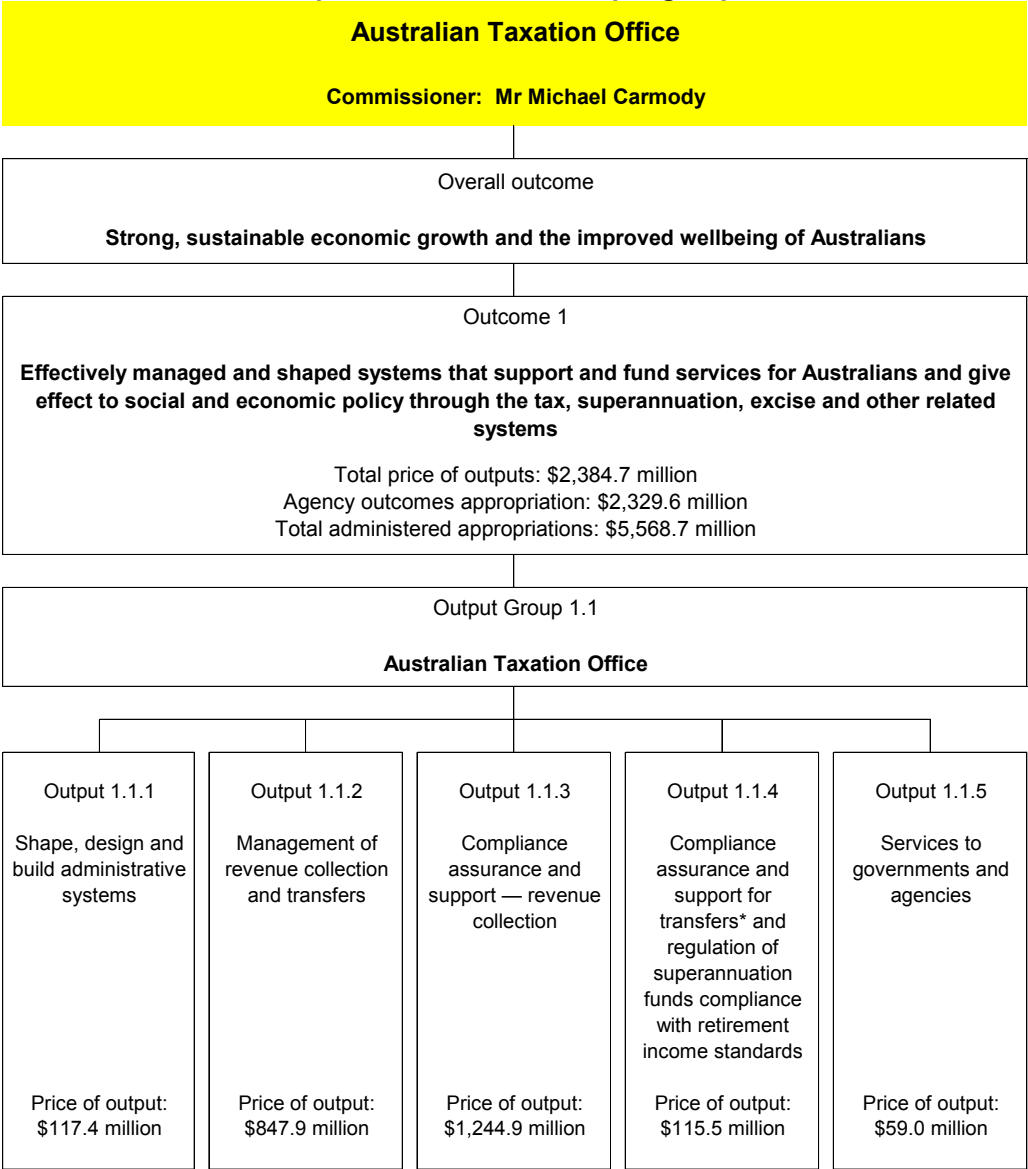
The ATO uses a process of cost centre mapping to estimate its actual costs incurred on each of the five outputs.

Mappings are based on cost centre manager estimates. The costs of corporate services and facilities, for example accommodation and information technology, are attributed to cost centres using relevant cost drivers. The cost drivers generally represent resource usage or headcount (where costs incurred directly relate to the number of staff). Corporate overhead and some information technology related costs are not attributed to cost centres but are instead attributed to outputs as a final step in the costing process.

The price of outputs outlined in Table 2.1 are based on the estimated 2003-04 result, adjusted for planned movements in 2004-05.

The ATO is currently reviewing its cost attribution processes for 2004-05.

Map 2: Outcomes and output groups



CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

OUTCOME 1 — DESCRIPTION

Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through tax, superannuation, excise and other related systems.

The single government outcome relating to the ATO properly reflects the nature of the services of the ATO. It provides an integrated platform for a viable and sustainable revenue administration. This is achieved through ensuring:

- effective and efficient administrative design for systems the ATO administers, consistent with policy intent and meeting community needs;
- an effective relationship and communication with taxpayers and Government;
- cost-effective collection of tax, transfers of revenue (to other agencies) and delivery of benefits through the tax system;
- compliance behaviour is maintained through providing comprehensive education and support services to the community and developing compliance strategies to address compliance risks;
- community confidence is maintained through working in partnership with the community to foster community ownership of the tax system and providing timely and professional service;

to enable Government to deliver on social and economic policy. The integrated approach enables cost-effective delivery of both revenue and transfers.

Measures affecting Outcome 1

AusLink — redirection of funds from the Fuel Sales Grants Scheme

The Government will cease the Fuel Sales Grants Scheme from 2006-07 and redirect funding to the new land transport infrastructure programme — AusLink. This funding will be allocated to improve roads in outer metropolitan, rural and remote areas.

See also the related expense measure *AusLink – National Land Transport Network* in the Transport and Regional Services portfolio.

Australian Taxation Office — taxation and superannuation compliance

The Government will provide additional funding of \$326.4 million over four years to the Australian Taxation Office to better educate taxpayers, raise the level of voluntary compliance with taxation obligations, and undertake additional compliance activities such as reviews and audits which will result in increased revenue.

The activities will focus on areas of: employer obligations; businesses with annual turnover of between \$2 million and \$100 million (in particular those with an annual turnover of more than \$50 million where evidence indicates financial arrangements are becoming more complex); individual taxpayer obligations in the areas of capital gains tax, rental deductions and high risk refunds; leveraging compliance through tax agents; and superannuation.

Additional revenue in superannuation guarantee payments on behalf of employees will also be recouped and the majority of the 4.6 million 'lost' superannuation members' records will be matched with Tax File Numbers for the purpose of re-attaching them to their entitlements. The return of these superannuation guarantee entitlements to the individuals' superannuation funds will be reflected in increased administered expenses.

Incentives for saving for retirement — enhancement of Government superannuation co-contribution scheme

The Government will enhance the superannuation co-contribution scheme by increasing the maximum co-contribution, giving \$1.50 for every \$1 of personal contribution, and by raising the income thresholds so that more employees will qualify under the scheme. These changes will apply for personal contributions made from 1 July 2004.

The maximum Government contribution will be increased under the new arrangements from \$1,000 to \$1,500. The Government will pay \$1.50 for every \$1 of contribution up to the co-contribution maximum.

The income level up to which the maximum co-contribution applies will be increased from \$27,500 to \$28,000. For incomes above \$28,000, the maximum co-contribution will reduce by 5 cents for each dollar of income, and phase out completely at an income of \$58,000. The co-contribution currently phases out at an income of \$40,000.

This measure will increase the incentive for people to save for their retirement through the superannuation system.

More help for families — changes to Family Tax Benefit Part A — lump-sum payment and reduction in the taper between maximum and base rates

The Government will make two changes to Family Tax Benefit Part A (FTB(A)).

There will be an increase in the rates of FTB(A) of \$600 per child to be paid as a lump sum upon reconciliation of entitlement, commencing in respect of the 2003-04 financial year. The lump sum represents an increase in the maximum and base rates of FTB(A) per child of \$600 per annum.

The lump sum will be paid to families as part of the reconciliation of FTB entitlement that normally takes place after families lodge their tax returns. If required, any family assistance overpayments received by the family will be offset against the lump-sum payment, with the remainder payable to the family.

Currently, once the income of families with dependent children exceeds \$31,755 per annum, their FTB(A) reduces from the maximum rate, at a rate of 30 cents for every extra dollar of income, until the base rate of payment is reached. From 1 July 2004, the taper rate that applies to this reduction will be reduced to 20 cents in the dollar.

More help for families — changes to Family Tax Benefit Part B — increase in threshold and reduction in taper

The Government will relax the income test for Family Tax Benefit Part B (FTB(B)). From 1 July 2004, the amount that a secondary earner can earn each year before their FTB(B) starts to be reduced will be more than doubled to \$4,000. At the same time, the rate at which FTB(B) is withdrawn once this income limit is exceeded will be reduced from 30 cents to 20 cents for every extra dollar of income.

More help for families — protect Family Tax Benefit Part B for secondary earners returning to the workforce after the birth of a child

The Government will change Family Tax Benefit Part B (FTB(B)) to benefit a parent returning to work after the birth of a child. From 1 July 2005, where the secondary earner (usually the mother) returns to work, income from employment will not be counted against their eligibility for FTB(B) already received. That is, they will keep the FTB(B) already received prior to re-entering the workforce. This option applies once in relation to each child.

More help for families — introduction of Maternity Payment and abolition of Baby Bonus

The Government will introduce a new universal Maternity Payment payable to families at the time of the birth of a new child. The Maternity Payment will be introduced on 1 July 2004 and will provide \$3,000 to families for each new child born after this date.

This new payment will incorporate the Baby Bonus, which will be phased out over four years.

Claims for the Baby Bonus can continue to be made in respect of children born (or for whom legal responsibility is otherwise gained) prior to 30 June 2004. Claims will be able to be made for the full five year entitlement. There will be no new claims after 30 June 2004.

Oil recycling — new category of grant

The Government has amended the *Product Stewardship (Oil) Regulations 2000* to provide oil recyclers who produce blended light fuel oil with a new grant of 9.557 cents per litre of oil recycled, with an expected cost of \$2.2 million over three years (including \$0.3 million in 2003-04).

The new grant fully offsets the impact of changes that took effect from 1 February 2004, when support for this activity moved from concessional treatment under the excise system to delivery under the Energy Grants (Credits) Scheme. The new grant meets the Government's intention that oil recyclers not be disadvantaged by the removal of the excise exemption and that an equivalent level of support for this oil recycling activity continues.

Refundable Film Tax Offset — extension to episodic television

The Government will provide \$12 million over three years from 2005-06 to extend the application of the existing Refundable Film Tax Offset to the production of television series.

The Refundable Film Tax Offset currently provides a rebate of 12.5 per cent of eligible film production costs in cases where qualifying Australian expenditure exceeds \$15 million.

State, territory and local government organisations — transitional grants as compensation for lost access to a fringe benefits tax concession

The Government will provide transitional grants totalling \$80 million over four years to certain organisations which had been endorsed by the Commissioner of Taxation as public benevolent institutions but were found to be ineligible for this status following a recent comprehensive review by the Australian Taxation Office. The funding will support these organisations in recognition of the loss of the fringe benefits tax (FBT) exemption of up to \$30,000 of the grossed up taxable value per employee which these organisations had been accessing as public benevolent institutions.

The transitional grants recognise the potential impact on State and Territory and local governments of increases in employment costs for around 350 organisations.

The transitional grants will include support for certain public ambulance services that had been accessing an FBT exemption of up to \$30,000 of grossed up taxable value per employee as public benevolent institutions. A recent court decision found that some of these organisations were ineligible for this concession. The Government subsequently announced that it would make an FBT exemption of up to \$17,000 of grossed up taxable value per employee available to all public ambulance services, consistent with that available for public and not-for-profit hospitals. The grants will support organisations in the transition to the lower FBT exemption.

The Government will also provide additional funding of \$2.3 million over four years to the Australian Taxation Office to administer the grants described above.

See revenue measure *Fringe Benefits Tax – ensuring concessions are available for public ambulance services* in the Treasury portfolio.

Superannuation — new qualifying criteria for Government Co-contribution Scheme

The Government will broaden the eligibility criteria for the Superannuation Co-contribution Scheme for low-income earners, at a cost of \$195 million over four years.

The broadened eligibility criteria replace the existing requirement that eligible participants receive employer superannuation contributions with a requirement that at least 10 per cent of an individual's income is earned as an employee. For example, this will include people who earn less than \$450 per month and are not eligible for employer superannuation support.

Further information can be found in the press release of 14 March 2004 issued by the Minister for Revenue and Assistant Treasurer.

See also the related expense measure titled *Superannuation co-contribution implementation campaign* in the Treasury portfolio.

Superannuation co-contribution implementation campaign

The Government will provide \$8.2 million in 2004-05 for the expansion of the Australian Taxation Office's communication and marketing campaign to reach and inform eligible recipients of the Superannuation Co-contribution Scheme.

See also the related expense measure titled *Superannuation – new qualifying criteria for Government Co-contribution Scheme* for the Australian Taxation Office in the Treasury portfolio.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing by Output for Outcome 1, including administered expenses, revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1 (\$'000)

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Administered appropriations		
Special appropriations ⁽⁴⁾	4,754,618	5,568,660
Total revenues from government (appropriations)	4,754,618	(I1) ⁽¹⁾ 5,568,660
Agency appropriations		
Output Group 1.1 - Australian Taxation Office		
Output 1.1.1 - Shape, design and build administrative systems	106,643	117,430
Output 1.1.2 - Management of revenue collection and transfers	840,449	847,938
Output 1.1.3 - Compliance assurance and support - revenue collection	1,190,991	1,244,900
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards	108,568	115,496
Output 1.1.5 - Services to government and agencies	4,685	3,821
Total revenues from government (appropriations)⁽³⁾	2,251,336	(C1) ⁽¹⁾ 2,329,585
Contributing to price of agency outputs	97%	98%
Revenue from other sources		
Goods and services	64,344	53,420
Other	1,650	1,730
Total revenue from other sources	65,994	55,150
Total price from agency outputs		
(Total revenues from government and from other sources)	2,317,330	(E1) ⁽¹⁾ 2,384,735
Estimated payments from special account balances⁽²⁾		
Australian Valuation Office	18,013	18,552
Excise Security Deposits	13	20
Other Trust Monies	20	20
Superannuation Holding Accounts Reserve Trust Account	30,000	34,000
Total agency special account outflows	48,046	52,592
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	7,071,948	7,953,395
	2003-04	2004-05
Average staffing level (number)	20,682	20,511

1. C1, E1 and I1 show the links back to Table 1.1.
2. Special account inflows and outflows are shown in further detail in Table 1.6 Estimates of special account flows and balances. Please note that these figures are cash based and exclude transactions between the Australian Valuation Office and the Australian Taxation Office.
3. This amount is higher than the 2003-04 *Portfolio Additional Estimates Statements* (PAES) figure due to the approval of funding subsequent to PAES. The accrual appropriation is recognised in 2003-04 and the cash will be included in the 2004-05 Appropriation Bill No. 2 as funding for previous years' outputs.
4. The amount showing for administered special appropriations represents appropriations to deliver ATO programmes. Amounts disclosed under special appropriations do not include the expenditures to pay refunds under the tax system.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

Table 2.2 details the performance indicators used to assess our achievement of Outcome 1, and shows the link between the outputs and the outcome.

There are five distinct outputs that contribute to Outcome 1:

- Output 1.1.1: reflects the ATO's role in effectively shaping the systems to give effect to the legislation administered by the organisation;
- Output 1.1.2: represents the operational aspects of managing the tax, superannuation and excise systems;
- Output 1.1.3: represents the processes required to assure and support compliance with tax obligations, providing the community with information and assistance;
- Output 1.1.4: represents the processes required to assure and support compliance with transfers and superannuation obligations administered by the ATO, providing the community with information and assistance; and
- Output 1.1.5: reflects the range of services the ATO provides to the Treasurer, the Minister for Revenue and Assistant Treasurer, the Parliament and to other APS agencies.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Overall achievement of the Outcome	
	Effectiveness Indicators
Deliver to Government	Revenue collections as a per cent of budgeted revenue. Dollar value of transfers by transfer type • trend over time. Overall levels of compliance improved. Implementing new policy measures effectively and in accordance with Government's intent • Application of integrated tax design principles in the implementation of all tax change.
Maintain community confidence	Community perceptions of ATO fairness and effectiveness • trend over time. Client perceptions of ATO professionalism and service • trend over time. ATO's performance against Taxpayers' Charter Service Standards • maintain index > 1.
Minimise compliance costs (within ATO control)	Evaluation of administrative products in relation to community needs. Balancing revenue integrity with costs of compliance. Reduction in cost of compliance within ATO control.
Efficient and adaptive organisation	Management of financial resources • capital expense against budget • operating expense against budget • current ratio: indication of ATO's ability to satisfy its obligations in the short term • debt to asset ratio: indication of ATO's ability to satisfy its obligations in the long term. Effectiveness of key processes. Workforce management and development.

Table 2.2: Performance information for Outcome 1 (continued)

Overall achievement of the Outcome (continued)

Performance information for administered items (including third party outputs)

The management of administered items is integrated into outputs 1.1.2 and 1.1.4 to enable cost effective delivery of both revenue and transfers.

Performance information for agency outputs

Output Group 1.1 - Australian Taxation Office

Output 1.1.1 - Shape, design and build administrative systems

Includes:

- the ATO's contribution to policy advice and legislative design, reflecting ATO insight into administration, compliance and interpretation perspectives.
- design, build and implementation of the administrative systems and products to enable the community to meet their obligations under the law.

Quantity measures

- Administrative advice and costings provided and managed to help shape Government's programme.
- The programme delivering easier, cheaper and more personalised service is implemented in accordance with schedule and costs.

Quality measures

- Integrated tax design principles are applied in the implementation of all tax change.
- Treasury is satisfied with the timeliness and quality of ATO's input to the development of taxation policy and laws and with the reliability of ATO advice on the system in operation.
- ATO evaluates the alignment of the change programme to progress or support strategic business outcomes.
- The programme delivering easier, cheaper and more personalised service is implemented in accordance with the agreed intent and scope enabling delivery of promised improved user experience.

Output 1.1.2 - Management of revenue collection and transfers

Includes the transactions between the ATO and members of the community as they:

- enter the tax and other systems through appropriate registration;
- receive and provide the required information;
- make payments;
- receive refunds or other payments, or are notified of their obligations; and
- receive advice about outstanding obligations and, if necessary, remedial action from the ATO to ensure lodgment and payment compliance.

Quantity measures

- \$ value of revenue collected
- \$ value of revenue transferred
- Number of registrations processed and records maintained.
- Number of accounts managed, refunds issued and payments processed.
- Number of debt and lodgment cases finalised.

Quality measures

- Performance to Service Standards.
- Client perceptions of professionalism of related areas against benchmark
- Lodgment cases finalised as a percentage of cases referred.
- Debt collection cases finalised as a percentage of cases referred.

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.3 - Compliance assurance and support for revenue collection Includes: • providing the community with information about their obligations and entitlements, and assistance to meet their obligations; • identifying and addressing non-compliance; and • providing assurance to the community and Government on the integrity of the tax system.	Quantity measures • Numbers of information, interpretation and active compliance products delivered, liabilities raised/collections and numbers of risk reviews conducted. Quality measures • Evaluation of selected ATO information products, from a client perspective, both pre and post implementation delivery. • Percentage of technical advice passing quality assurance - trend over time. • Performance to Service Standards. • Client perceptions of professionalism of related areas against benchmark. • Evaluation of ATO risk management and strategic intelligence.
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds' compliance with retirement income standards Includes: • providing the community with information about their obligations and entitlements, and assistance to meet their obligations; • identifying and addressing non-compliance; and • providing assurance to the community and Government on the integrity of the tax system.	Quantity measures • \$ value of required transfers effected. • Numbers of information, interpretation and active compliance products delivered, liabilities raised/collections and numbers of risk reviews conducted. Quality measures • Evaluation of selected ATO information products, from a client perspective, both pre and post implementation delivery. • Percentage of technical advice passing quality assurance - trend over time. • Performance to Service Standards. • Client perceptions of professionalism of related areas against benchmark. • Evaluation of ATO risk management and strategic intelligence.
Output 1.1.5 - Services to Governments and agencies	Quantity measures • Required volume of services delivered for Valuations, Cross Agency Support and Ministerial and Parliamentary services. Quality measures • Client satisfaction with accuracy and timeliness of Valuation Services. • Cross Agency Support delivered to agreed standard and timeliness. • Ministerial and Parliamentary services delivered to agreed standard and timeliness.

EVALUATIONS

The Australian National Audit Office and ATO Internal Audit have a rolling programme of issues that are audited during the financial year. Other issues are evaluated within the ATO during the financial year as required. Results of evaluation will be shown in the ATO Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Taxation Office (ATO) 2004-05 Annual Report, and for the input into the Whole of Government Accounts. The financial statements should be read in conjunction with the accompanying notes.

These budgeted financial statements and administered notes are consistent with the forms of financial statements specified under the 2003-04 Finance Minister's Orders '*Requirements for the Preparation of Financial Statements of Australian Government Entities*'.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The ATO is budgeting for an operating loss of \$35.0 million in 2004-05 after income tax equivalents payable by the Australian Valuation Office (AVO). The operating loss allows the ATO to progress its corporate improvement program aimed at making the tax experience easier, cheaper and more personalised for taxpayers while maintaining compliance and current taxpayer services.

Operating Revenues

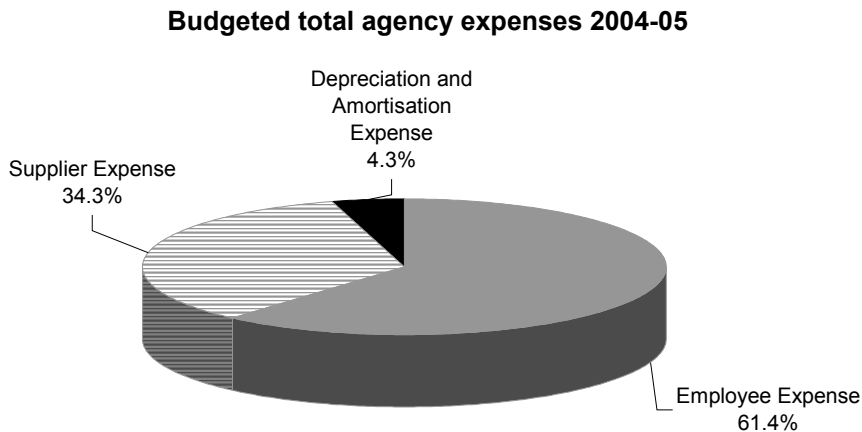
Total agency revenue is estimated to be \$2,384.7 million and consists of \$2,329.6 million in appropriation and revenue from other sources of \$55.2 million. This is an increase of \$67.4 million from the 2003-04 estimated actual.

This rise in revenue is primarily an increase in appropriation as a result of Budget measures shown in Table 1.2.

Operating Expenses

Total expenses are estimated to be \$2,419.5 million. This is an increase of \$103.0 million from the 2003-04 estimated actual.

Operating expenses consist of \$1,485.0 million in labour expenditure, \$829.8 million in supplier expenditure and \$104.7 million in depreciation and amortisation, as illustrated in the following chart.



The following movements have taken place since the 2003-04 Additional Estimates:

- Labour has increased by \$70.2 million, largely attributable to:
 - Taxation and superannuation compliance measure leading to increased workloads. The work targets several high risk areas which by their very nature are labour intensive, for example Capital Gains Tax (CGT) individuals, Small to Medium Enterprise debt (\$31.4 million);
 - The ATO will run at an operating loss in 2004-05 to continue implementing the corporate improvement program aimed at making the tax experience easier, cheaper and more personalised for taxpayers (\$32.6 million);
 - Costs associated with the implementation of superannuation co-contribution measures due to an increase in the number of eligible recipients and an expanded education and media campaign (\$2.0 million); and
 - Administration and implementation costs associated with transitional grants as compensation for lost access to a fringe benefits tax concession measure (\$0.6 million).
- Supplier expenses have increased by \$24.6 million, largely attributable to:
 - Taxation and superannuation compliance measure (\$13.9 million);
 - Superannuation co-contribution measures (\$6.2 million);
 - Comcover supplementation for increased premiums (\$0.7 million); and

- transitional grants as compensation for lost access to a fringe benefits tax concession measure (\$0.3 million).

Parameter Adjustments

There was a further reduction in appropriation of \$2.2 million as a result of applying the revised economic parameters. Labour accounts for \$1.4 million while the remainder of the reduction is in supplier expenditure.

Budgeted agency statement of financial position

In 2004-05 the ATO's equity position will be negative \$50.7 million. This is a decline of \$35.0 million from 2003-04 as a result of the approved operating loss.

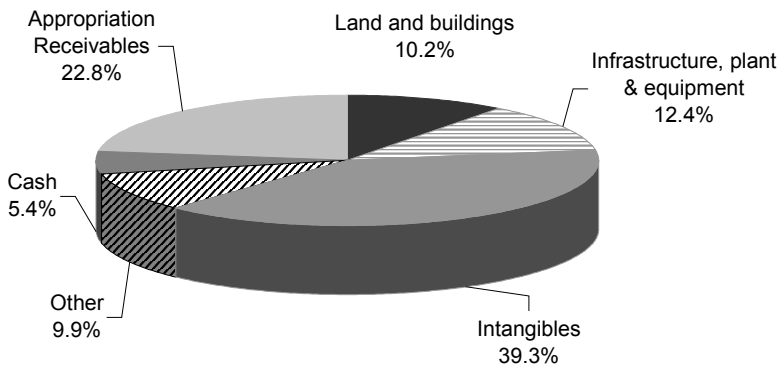
Assets

The ATO's assets are predominantly non-financial assets.

In 2004-05 the ATO will be maintaining its commitment to long term improvement, investing \$120.2 million in capital.

A significant proportion of the ATO's capital investment is directed toward the development or improvement of internally developed systems and software in support of the ATO's intention of making people's experience with the revenue systems easier, cheaper and more personalised.

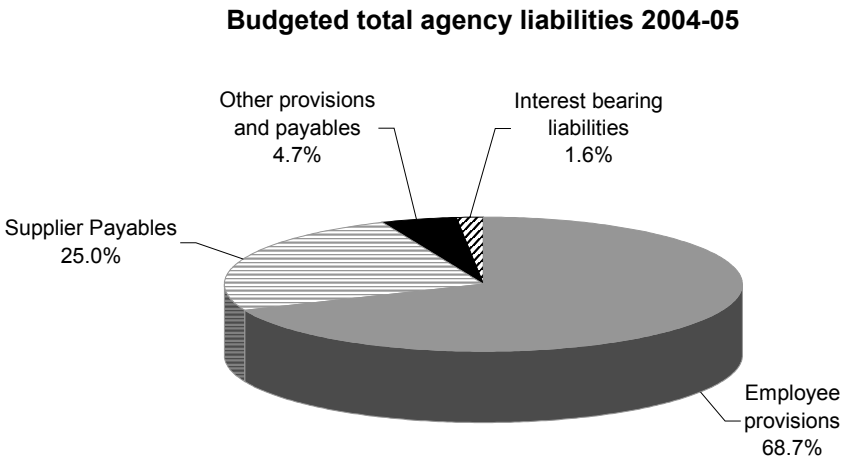
Budgeted total agency assets 2004-05



Liabilities

The ATO's liabilities are predominantly employee entitlements. There is no significant movement in total liabilities from 2003-04.

However, there is a reduction in employee entitlements offset by an increase in supplier payables. The reduction in employee entitlements is due to the timing of the final pay day. The increase in supplier payables is attributable to the measures impacting supplier expenses, identified above under the heading ‘Operating Expenses’.



AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded either through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in the ATO's non-financial assets over the budget year.

NOTES OF ADMINISTERED ACTIVITY

Details of transactions administered by the ATO on behalf of the Australian Government are 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 Australian Government. It also discloses administered revenues from government and transfers to the Official Public Account.

Note of budgeted administered financial position

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

Note of budgeted administered cash flows

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

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from Government	2,251,336	(K1)(1) 2,329,585	2,381,202	2,408,118	2,429,626
Goods and Services	64,344	53,420	41,113	41,493	41,493
Other	1,650	1,730	1,820	1,910	1,910
Total revenues from ordinary activities	2,317,330	2,384,735	2,424,135	2,451,521	2,473,029
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	1,464,623	1,484,955	1,521,144	1,520,960	1,555,359
Suppliers	770,548	829,832	784,498	800,450	787,558
Depreciation and amortisation	81,080	104,697	117,623	129,242	129,242
Other	270	-	-	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)	2,316,521	2,419,484	2,423,265	2,450,652	2,472,159
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	809	(34,749)	870	869	870
Income tax Expense	243	252	261	267	267
Net surplus or (deficit)	566	(35,001)	609	602	603

1. K1 shows the link back Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	30,118	32,036	33,003	34,662	31,498
Appropriation Receivables	188,544	135,544	135,044	153,044	168,044
Other Receivables	25,890	24,633	22,285	22,491	22,373
Total financial assets	244,552	192,213	190,332	210,197	221,915
Non-financial assets					
Land and buildings	68,277	60,441	58,228	55,844	55,317
Infrastructure, plant and equipment	77,066	73,340	67,296	58,671	54,513
Intangibles	206,361	233,391	262,275	281,352	294,105
Other	34,028	34,132	34,300	34,509	34,718
Total non-financial assets	385,732	401,304	422,099	430,376	438,653
Total assets	630,284	593,517	612,431	640,573	660,568
LIABILITIES					
Interest bearing liabilities					
Other	10,143	10,064	9,985	9,906	9,827
Total interest bearing liabilities	10,143	10,064	9,985	9,906	9,827
Provisions					
Employees	454,590	442,760	467,896	492,473	512,682
Other	29,651	29,384	29,117	28,849	28,582
Total provisions	484,241	472,144	497,013	521,322	541,264
Payables					
Suppliers	150,395	161,089	154,898	158,512	158,352
Other	894	904	914	921	921
Total payables	151,289	161,993	155,812	159,433	159,273
Total liabilities	645,673	644,201	662,810	690,661	710,364
EQUITY					
Parent entity interest					
Contributed equity	185,996	185,996	185,996	185,996	185,996
Reserves	13,087	13,087	13,087	13,087	13,087
Retained surpluses or accumulated deficits	(214,472)	(249,767)	(249,462)	(249,171)	(248,879)
Total parent entity interest	(15,389)	(50,684)	(50,379)	(50,088)	(49,796)
Total equity	(15,389)	(50,684)	(50,379)	(50,088)	(49,796)
Current assets	272,999	220,747	219,009	239,047	250,939
Non-current assets	357,285	372,770	393,422	401,526	409,629
Current liabilities	320,860	308,326	313,728	328,155	334,405
Non-current liabilities	324,813	335,875	349,082	362,506	375,959

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,307,336	2,382,585	2,386,202	2,410,118	2,429,626
Goods and services	64,261	55,167	43,082	41,432	41,493
GST - input credit receipts	76,742	81,747	78,721	79,771	78,778
GST - receipts from customers	2,285	2,751	2,106	2,141	2,141
Total cash received	2,450,624	2,522,250	2,510,111	2,533,462	2,552,038
Cash used					
Employees	1,463,226	1,496,785	1,496,007	1,496,381	1,535,152
GST - payments to suppliers	76,868	82,868	78,341	79,918	78,660
GST - payments (agency)	2,177	2,120	2,106	2,141	2,141
Suppliers	771,542	817,858	789,385	795,482	786,361
Cash to Official Public Account	15,000	-	4,500	20,000	15,000
Taxes Paid	243	252	261	267	267
Total cash used	2,329,056	2,399,883	2,370,600	2,394,189	2,417,581
Net cash from or (used by) operating activities	121,568	122,367	139,511	139,273	134,457
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	123,456	120,165	138,250	137,310	137,310
Total cash used	123,456	120,165	138,250	137,310	137,310
Net cash from or (used by) investing activities	(123,456)	(120,165)	(138,250)	(137,310)	(137,310)
FINANCING ACTIVITIES					
Cash used					
Dividends paid	116	284	294	304	311
Total cash used	116	284	294	304	311
Net cash from of (used by) financing activities	(116)	(284)	(294)	(304)	(311)
Net increase/(decrease) in cash held	(2,004)	1,918	967	1,659	(3,164)
Cash at the beginning of the reporting period	32,122	30,118	32,036	33,003	34,662
Cash at the end of the reporting period	30,118	32,036	33,003	34,662	31,498

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
CAPITAL APPROPRIATIONS					
Previous Years' Outputs	-	(K3) ⁽¹⁾ 9,616	-	-	-
Total	-	9,616	-	-	-
Represented by					
Other	-	9,616	-	-	-
Total	-	9,616	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	123,456	120,165	138,250	137,310	137,310
Total	123,456	120,165	138,250	137,310	137,310

1. K3 shows the link back to Table 1.1.

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	68,277	-	77,066	-	206,361	-	351,704
Additions	-	20,040	-	10,105	-	90,020	-	120,165
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(27,876)	-	(13,831)	-	(62,990)	-	(104,697)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	60,441	-	73,340	-	233,391	-	367,172
Represented by								
Self funded	-	20,040	-	10,105	-	90,020	-	120,165
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	20,040	-	10,105	-	90,020	-	120,165

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Taxation					
Income tax	141,710,000	150,100,000	157,740,000	167,520,000	177,580,000
Indirect tax	55,190,000	56,500,000	58,870,000	61,330,000	63,720,000
Other taxes, fees and fines	4,182,700	4,193,800	4,285,000	4,446,100	4,607,200
Total taxation	201,082,700	210,793,800	220,895,000	233,296,100	245,907,200
Non-taxation					
Revenues from government	4,754,618	(K2) ⁽¹⁾ 5,568,660	6,388,799	6,470,875	6,603,955
Other	687,000	718,000	765,000	751,000	748,000
Total non-taxation	5,441,618	6,286,660	7,153,799	7,221,875	7,351,955
Total revenues administered on behalf of Government	206,524,318	217,080,460	228,048,799	240,517,975	253,259,155
EXPENSES					
Subsidies	3,679,298	4,012,943	4,126,003	4,077,000	4,238,000
Personal benefits	709,000	1,187,712	1,874,791	2,010,870	1,982,950
Write down and impairment of assets	1,991,527	1,380,000	1,430,000	1,450,000	1,530,000
Interest	180,000	180,000	180,000	180,000	180,000
Other	186,320	188,005	208,005	203,005	203,005
Total expenses administered on behalf of Government	6,746,145	6,948,660	7,818,799	7,920,875	8,133,955

1. K2 shows the link back to Table 1.1.

Note: The amount showing for revenues from government represents special appropriations to deliver ATO administered programs and benefits. This amount does not include amounts to pay taxation refunds. Total taxation revenue is shown net of taxation refunds. There are amounts included in other non-taxation revenue which in previous budget papers may have been disclosed as taxation revenues.

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	83,598	83,598	83,598	83,598	83,598
Receivables	15,307,985	16,999,985	18,608,985	20,568,985	22,605,985
Total financial assets	15,391,583	17,083,583	18,692,583	20,652,583	22,689,583
Non-financial assets					
Other	4,440	4,440	4,440	4,440	4,440
Total non-financial assets	4,440	4,440	4,440	4,440	4,440
Total assets administered on behalf of government	15,396,023	17,088,023	18,697,023	20,657,023	22,694,023
LIABILITIES					
Provisions					
Taxation refunds provided	1,269,970	1,269,970	1,269,970	1,269,970	1,269,970
Other	222,005	228,005	241,005	249,005	256,005
Total provisions	1,491,975	1,497,975	1,510,975	1,518,975	1,525,975
Payables					
Grants and subsidies	66,393	66,393	66,393	66,393	66,393
Total payables	66,393	66,393	66,393	66,393	66,393
Total liabilities administered on behalf of government	1,558,368	1,564,368	1,577,368	1,585,368	1,592,368
Current liabilities	1,558,368	1,564,368	1,577,368	1,585,368	1,592,368
Non-current liabilities	-	-	-	-	-
Current assets	15,396,023	17,088,023	18,697,023	20,657,023	22,694,023
Non-current assets	-	-	-	-	-

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Income tax	138,890,000	147,830,000	155,500,000	164,940,000	174,880,000
Indirect tax	54,250,000	55,750,000	58,090,000	60,500,000	62,840,000
Other taxes, fees and fines	4,112,700	4,163,800	4,305,000	4,466,100	4,627,200
Cash from Official Public Account - appropriations	4,754,618	5,562,660	6,375,799	6,462,875	6,596,955
Other	687,000	696,000	726,000	731,000	741,000
Total cash received	202,694,318	214,002,460	224,996,799	237,099,975	249,685,155
Cash used					
Interest paid	180,000	180,000	180,000	180,000	180,000
Subsidies paid	3,679,298	4,012,943	4,126,003	4,077,000	4,238,000
Personal benefits	709,000	1,187,712	1,874,791	2,010,870	1,982,950
Cash to Official Public Account - Other	197,939,700	208,439,800	218,621,000	230,637,100	243,088,200
Other	186,320	182,005	195,005	195,005	196,005
Total cash used	202,694,318	214,002,460	224,996,799	237,099,975	249,685,155
Net cash from or (used by) operating activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	83,598	83,598	83,598	83,598	83,598
Cash at end of reporting period	83,598	83,598	83,598	83,598	83,598

Note: The amount showing for administered appropriations represents appropriations to deliver ATO administered programmes and benefits. This amount does not include amounts to pay taxation refunds. Taxation receipts are shown net of taxation refunds.

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The budgeted financial statements have been prepared on an accrual basis.

Notes to the agency statements

Details of agency items in the financial statements included in Table 3.1 to 3.5 have been prepared in accordance with the requirements and guidance for the preparation of financial statements.

The budget statements and estimated forward years have been prepared to reflect the following matters.

Australian Valuation Office

The Australian Taxation Office's agency budget statements are consolidated to include the financial operations of the Australian Valuation Office.

Cost of administering goods and services tax

Agency statements include the estimated costs of administering the goods and services tax pursuant to the 'intergovernmental agreement on the reform of Commonwealth-State Financial Relations', the GST revenue is collected on behalf of the states and territories which agree to compensate the Australian Government for the agreed GST administration costs.

The recovery of GST administration costs are reported under the Department of the Treasury.

Notes to the administered statements

Details of administered items in the financial statements included in Tables 3.6 to 3.8 have been prepared under the Tax Liability Method (TLM) of revenue recognition, consistent with the Australian Government's recognition of taxation revenue. Under TLM, taxation revenue is recognised at the time a taxpayer makes a self-assessment or when an assessment of a tax liability is raised by the Australian Taxation Office or the Australian Customs Service. This method retains some elements of cash revenue recognition, for example, when a cash payment occurs prior to an assessment being raised.

The budget statements and forward years have been prepared on the basis noted below and to reflect the following matters.

Recognition of taxation revenue

Since 1999-2000 administered taxation revenue has been brought to account on a year by year basis where:

- the client or the client group can be identified in a reliable manner;
- an amount of tax or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the tax or statutory charge payable by the client or client group can be reliably measured, and it is probable that the amount will be collected.

This recognition policy does not include the following items as revenue of the period:

- estimates of future collections or refunds from individuals in respect of income tax returns to be lodged for the current financial year ended at 30 June;
- estimates of instalments of tax and final payments for companies due after 30 June;
- estimates of final amounts for petroleum resource rent tax due after 30 June; and
- actual payments for Pay As You Go, GST, excise and withholding taxes for amounts collected or withheld in June but not remitted to the Commissioner until July.

Items recognised as reductions to taxation revenue

The following items are recognised as reductions (increases) to taxation revenue and not as an expense:

- refunds of revenue; and
- increase (decrease) in movement of provision for credit amendments.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian Taxation Office (ATO) has entered into purchaser/provider arrangements with both the Department of Family and Community Services (FACS) and the Department of Health and Aged Care. These allow the ATO to provide services to each of these departments to enable them to achieve their stated Outcomes in 2004-05.

The ATO will be providing services to FACS for the Family Assistance Office and the Compliance Package – Prevention and Detection, and to the Child Support Agency.

The ATO will also be providing services to the Department of Health and Aged Care for the implementation of the Private Health Insurance rebate.

COST RECOVERY ARRANGEMENTS

The ATO 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 Regulatory Agencies as they are related to intergovernmental charging, taxation and/or comply with competitive neutrality principles.

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Corporations and Markets Advisory Committee (CAMAC) was established in September 1989. Its role, as set out in section 148 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act), is to advise the Minister on any matters concerning the Corporations Act or improving the efficiency of financial markets. CAMAC may undertake reviews on its own initiative, as well as at the request of the Minister.

The Legal Committee was established in September 1991 to provide expert legal analysis, assessment and advice to the Advisory Committee.

The Treasurer appoints the members of the Advisory Committee and Legal Committee in their personal capacities.

APPROPRIATIONS AND RESOURCING

The total appropriation for CAMAC in the 2004-05 Budget is \$0.9 million. Table 1.1 on the following page provides this detail.

Corporations and Markets Advisory Committee — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000			\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total	Bill No. 1	Bill No. 2 (SPPs & NAOs)		
	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(F)	(G)	(H)	(J = C+I)
Outcome 1 - A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	856	-	856	-	-	-	856
			97%				
	856	-	(K1) ⁽¹⁾ 856	-	-	-	856
Agency capital (equity injections and loans)				Administered capital			-
Total appropriations				Total appropriations			856

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Interest	25	25
Total non-appropriation agency revenues	25	25

AGENCY EQUITY INJECTIONS AND LOANS

CAMAC does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

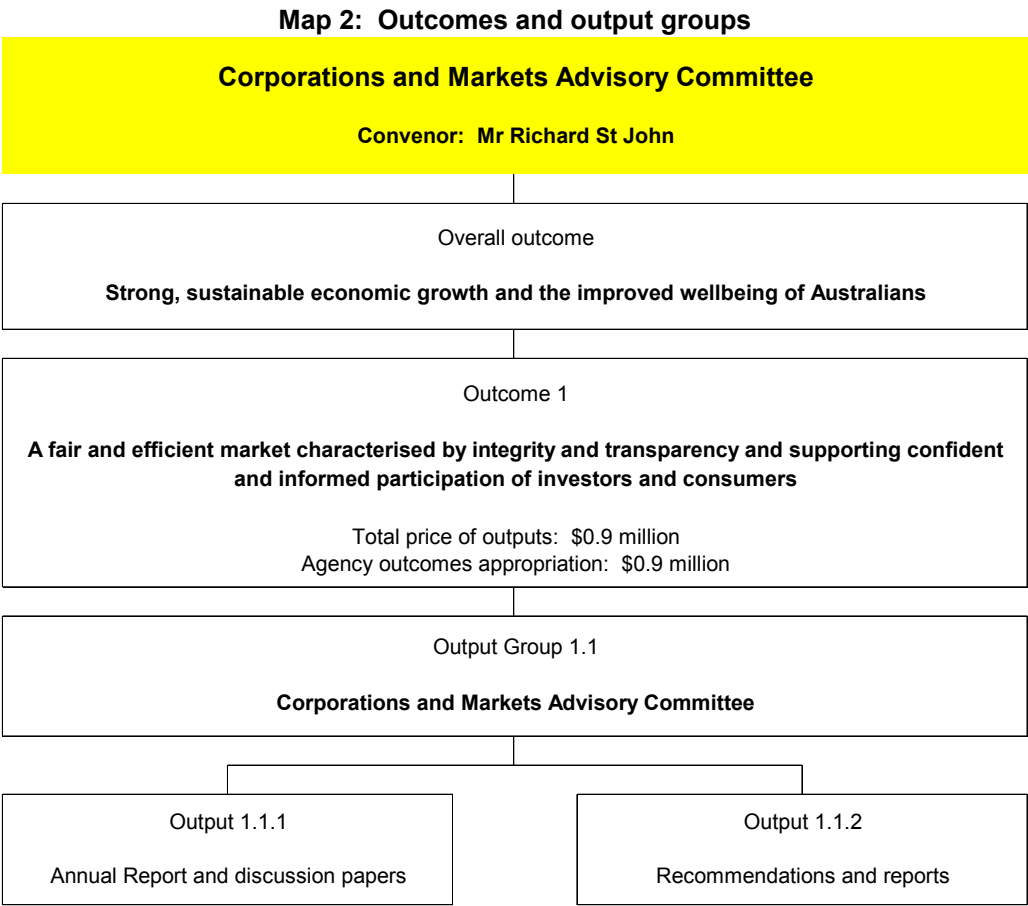
Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Corporations and Markets Advisory Committee (CAMAC). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Output cost attribution

Each programme in CAMAC’s programme structure is linked to one of its two outputs.



CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

OUTCOME — DESCRIPTION

A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Measures affecting Outcome 1

There are no measures for CAMAC in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000		2004-05 budget estimate \$'000
Agency appropriations			
Output Group 1.1 - Corporations and Markets Advisory Committee			
Output 1.1.1 - Annual Report and discussion papers	400		400
Output 1.1.2 - Recommendations and reports	456		456
Total revenues from government (appropriations)	856	(C1) ⁽¹⁾	856
Contributing to price of agency outputs	97%		97%
Revenue from other sources			
Bank interest	25		25
Total revenue from other sources	25		25
Total price from agency outputs			
(Total revenues from government and from other sources)	881	(E1) ⁽¹⁾	881
Total estimated resourcing for Outcome 1			
(Total price of outputs appropriations)	881		881
	2003-04		2004-05
Average staffing level (number)	3		3

1. C1 and E1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The output of CAMAC is similar to the first output of the Australian Securities and Investments Commission (ASIC) – policy and guidance about the laws administered by ASIC. CAMAC focuses on the legislation related to corporations and financial markets, and its operations involve initiating major policy innovation in corporate law, reviewing procedural and other issues in current practice, and reviewing draft legislative policy and Bills. This is basic to achieving the government outcome of fair and efficient financial markets characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - Corporations and Markets Advisory Committee	
Output 1.1.1 - Annual Report and discussion papers	The Advisory Committee seeks to stimulate and lead public debate on the enhancement of standards for corporations and participants in financial markets, and proposes regulatory reform where necessary.
Output 1.1.2 - Recommendations and reports	To achieve these performance goals, the Advisory Committee seeks the expert advice of its Legal Committee, encourages public comment on its discussion papers and thoroughly reviews all submissions received by them. This well-established process of public review is designed to ensure that the commercial community has the opportunity to fully participate in the law reform process. Through this consultation and review process, and the provision of timely advice to the Treasurer and the Parliamentary Secretary to the Treasurer in the form of Advisory Committee Reports and other papers, the Committee seeks to ensure that Australian financial markets and corporations continue to operate in a commercial environment of the highest standards supported by appropriate legislation.

EVALUATIONS

There are no planned evaluation activities in the 2004-05 financial year.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Corporations and Markets Advisory Committee (CAMAC) 2003-04 Annual Report, and form the basis for the input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

There are no unexpected variations in the results of 2004-05 compared with 2003-04.

CAMAC is budgeting for a breakeven operating result in 2004-05. An analysis of CAMAC's budgeted financial statements is provided below.

The total agency revenue is estimated to be \$0.9 million. There is no change from the estimated 2003-04 actual.

The total agency expenses for 2004-05 will be \$0.9 million. Employee expenses will increase by \$13,000 offset by a reduction in supplier expenses of \$13,000. The net asset position for 2004-05 will remain unchanged.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in CAMAC's non-financial assets over the budget year 2004-05.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	856	(K1) ⁽¹⁾ 856	863	879	862
Interest	25	25	25	25	25
Total revenues from ordinary activities	881	881	888	904	887
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	447	460	494	494	494
Suppliers	419	406	379	395	378
Depreciation and amortisation	15	15	15	15	15
Total expenses from ordinary activities (excluding borrowing costs expense)	881	881	888	904	887
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	-	-	-	-	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	676	671	666	661	656
Receivables	7	7	7	7	7
Total financial assets	683	678	673	668	663
Non-financial assets					
Land and buildings	1	1	1	1	1
Infrastructure, plant and equipment	87	92	97	102	107
Intangibles	1	1	1	1	1
Other	16	16	16	16	16
Total non-financial assets	105	110	115	120	125
Total assets	788	788	788	788	788
LIABILITIES					
Provisions					
Employees	153	153	153	153	153
Total provisions	153	153	153	153	153
Payables					
Suppliers	18	18	18	18	18
Total payables	18	18	18	18	18
Total liabilities	171	171	171	171	171
EQUITY					
Parent entity interest					
Reserves	10	10	10	10	10
Retained surpluses or accumulated deficits	607	607	607	607	607
Total parent entity interest	617	617	617	617	617
Total equity	617	617	617	617	617
Current assets	699	694	689	684	679
Non-current assets	89	94	99	104	109
Current liabilities	76	76	76	76	76
Non-current liabilities	95	95	95	95	95

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	856	856	863	879	862
Interest	25	25	25	25	25
GST recovered	39	39	39	39	39
Total cash received	920	920	927	943	926
Cash used					
Employees	447	460	494	494	494
Suppliers	458	445	418	434	417
Total cash used	905	905	912	928	911
Net cash from or (used by) operating activities	15	15	15	15	15
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	20	20	20	20	20
Total cash used	20	20	20	20	20
Net cash from or (used by) investing activities	(20)	(20)	(20)	(20)	(20)
FINANCING ACTIVITIES					
Cash used					
Capital use charge paid	72	-	-	-	-
Total cash used	72	-	-	-	-
Net cash from or (used by) financing activities	(72)	-	-	-	-
Net increase/(decrease) in cash held	(77)	(5)	(5)	(5)	(5)
Cash at the beginning of the reporting period	753	676	671	666	661
Cash at the end of the reporting period	676	671	666	661	656

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	20	20	20	20	20
Total	20	20	20	20	20

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	1	-	87	-	1	-	89
Additions	-	-	-	20	-	-	-	20
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(15)	-	-	-	(15)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	1	-	92	-	1	-	94
Represented by								
Self funded	-	-	-	20	-	-	-	20
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	20	-	-	-	20

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Corporations and Markets Advisory Committee (CAMAC) does not have purchaser/provider arrangements in place.

COST RECOVERY ARRANGEMENTS

The CAMAC does not presently have any cost recovery arrangements.

INSPECTOR-GENERAL OF TAXATION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The *Inspector-General of Taxation Act 2003* established an independent statutory agency to review:

- systems established by the Australian Taxation Office to administer the tax laws; and
- systems established by tax laws in relation to administrative matters.

The Inspector-General seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying systemic issues in the administration of the tax laws and providing independent advice to the government on the administration of the tax laws.

To ensure that reviews undertaken reflect areas of key concern to the Australian community, the Inspector-General develops a work programme following broad-based consultation with other stakeholders including taxpayers and their representatives, the Australian Government Ombudsman, the Commonwealth Auditor-General and the Commissioner of Taxation.

APPROPRIATIONS AND RESOURCING

The total appropriation for the Inspection-General of Taxation (IGT) in the 2004-05 Budget is \$2.2 million. Table 1.1 on the following page provides this detail.

Inspector-General of Taxation — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000					Administered \$'000		\$'000	
	Revenues from government (appropriations)		Total	Revenue from other sources	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps				Bill No. 1	Bill No. 2 (SPPs & NAOs)		
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(J = C+I)
			(C1) ⁽¹⁾		(E1) ⁽¹⁾				
Outcome 1 - Improved administration of the tax laws for the benefit of all taxpayers	2,154	-	2,154	-	2,154	-	-	-	2,154
			100%	0%	100%				
	2,154	-	(K1) ⁽¹⁾ 2,154	-	2,154	-	-	-	2,154
Total	Agency capital (equity injections and loans)								
								-	-
								Administered capital	-
								Total appropriations	2,154

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

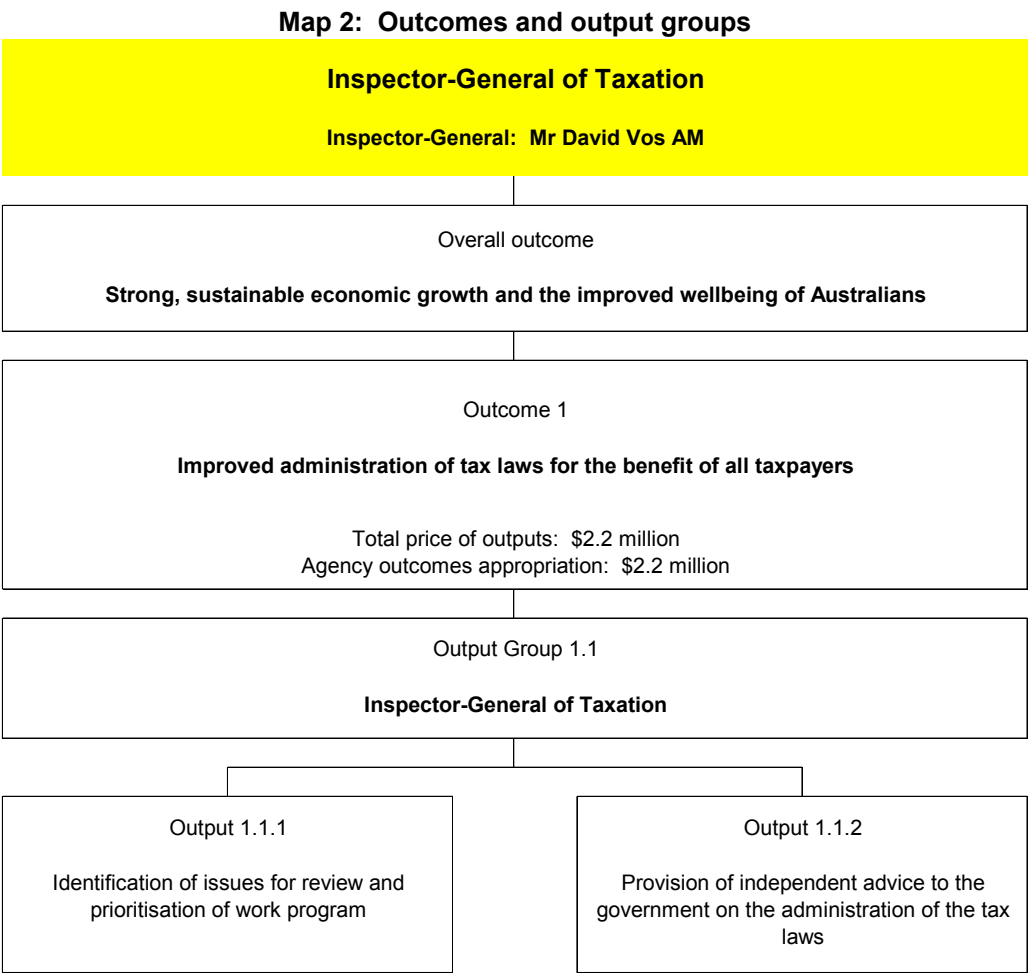
AGENCY EQUITY INJECTIONS AND LOANS

The IGT does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

Map 2 shows the relationship between Government outcomes and the contributing outputs for the Inspector-General of Taxation (IGT). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.



OUTCOME 1 — DESCRIPTION

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

Measures affecting Outcome 1

There are no measures for the IGT in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Agency appropriations		
Output Group 1.1 - Inspector-General of Taxation		
Output 1.1.1 - Identification of issues for review and prioritisation of work program	100	108
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	1,900	2,046
Total revenues from government (appropriations)	2,000	(C1) ⁽¹⁾ 2,154
Contributing to price of agency outputs	100%	100%
Total price from agency outputs		
(Total revenues from government and from other sources)	2,000	(E1) ⁽¹⁾ 2,154
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	2,000	2,154
	2003-04	2004-05
Average staffing level (number)	4	7

1. C1 and E1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The role of the Inspector-General of Taxation is to improve the administration of the tax laws for the benefit of all taxpayers.

This is achieved by reviewing the systems established by the Australian Taxation Office to administer the tax laws and the systems established by tax laws in relation to administrative matters.

The Inspector-General of Taxation's two outputs derive from the statutory functions. These outputs involve the identification of systemic issues for review and the prioritisation of the work programme and the provision of independent advice to government on the administration of the tax laws.

The scope of the work programme is determined by the identification and prioritisation of a systemic issue by the Inspector-General. However, the Act also provides that the Minister may direct that a matter be included on the work programme, and that the Inspector-General considers requests to conduct reviews from:

- the Minister (separate from the direction provision); or
- the Commissioner of Taxation; or
- a resolution of either House, or both Houses, of the Parliament; or
- a resolution of a Committee of either House, or both Houses, of the Parliament.

Broad-based community involvement in the identification of issues and the opportunity for all stakeholders to provide submissions ensures that reviews undertaken are relevant and timely for all stakeholders. In view of this, the Inspector-General requires the flexibility to vary resourcing allocations so as to allow emerging and important systemic issues to be addressed in a manner that is timely and relevant to government.

The Inspector-General of Taxation has no power to direct the Commissioner of Taxation in the administration of the tax laws. The effectiveness with which Inspector-General's advice to government contributes to the achievement of the outcome may be difficult to assess. In some instances, the provision of advice to government may lead to legislative change to address an identified systemic issue. However, on other occasions the Commissioner of Taxation may independently address a systemic issue identified by the Inspector-General of Taxation either following the release of a Review Report by the Minister or the publication of an Issues Paper or Work Programme by the Inspector-General.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs

Output Group 1.1 - Inspector-General of Taxation

Output 1.1.1 - Identification of issues for review and prioritisation of work programme	Broad-based community involvement in the identification of systemic issues in the administration of tax laws. Reviews undertaken are relevant and timely for government and other stakeholders.
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	Reports, undertaken in accordance with required processes, are of a high standard, timely and useful to government. Findings and recommendations achieve improved administration.

EVALUATIONS

Internal, informal monitoring of the IGT's performance and output is undertaken on a continuous basis.

Evaluation of actual levels of achievement will be shown in the Inspector-General of Taxation's 2003-04 Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Inspector-General of Taxation's (IGT) 2004-05 Annual Report and form the basis for IGT's input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The Office of the Inspector-General of Taxation consists of seven staff. The Inspector-General relies upon the support and contribution to reviews of many in the private sector, particularly professional associations and business groups. The co-operation and support of relevant government agencies is also very important to the achievement of the outcome.

The Inspector-General commenced operations in the 2003-04 year. As such, there was only a part-year expenditure on staffing costs as recruitment proceeded. A significant one-off expenditure on office fit-out was also a feature of the 2003-04 year.

For 2004-05, approximately 50 per cent of the budget allocation will be expended on employee costs. Another 25 per cent will be expended on office accommodation and corporate overheads. The final 25 per cent will be expended on direct costs associated with completion of the work programme. It is expected that this expenditure pattern will continue in future years.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in IGT's non-financial assets over the budget year 2004-05.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	2,000	(K1) ⁽¹⁾ 2,154	2,154	2,154	2,154
Total revenues from ordinary activities	2,000	2,154	2,154	2,154	2,154
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	839	1,008	1,008	1,008	1,008
Suppliers	845	1,036	1,037	1,039	1,032
Depreciation and amortisation	31	110	109	107	114
Total expenses from ordinary activities (excluding borrowing costs expense)	1,715	2,154	2,154	2,154	2,154
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	285	-	-	-	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	508	608	654	697	697
Receivables	31	37	37	32	27
Total financial assets	539	645	691	729	724
Non-financial assets					
Infrastructure, plant and equipment	427	417	408	351	338
Total non-financial assets	427	417	408	351	338
Total assets	966	1,062	1,099	1,080	1,062
LIABILITIES					
Provisions					
Employees	285	321	357	394	431
Total provisions	285	321	357	394	431
Payables					
Suppliers	396	456	456	401	346
Total payables	396	456	456	401	346
Total liabilities	681	777	813	795	777
EQUITY					
Parent entity interest					
Retained surpluses or accumulated deficits	285	285	285	285	285
Total parent entity interest	285	285	285	285	285
Total equity	285	285	285	285	285
Current assets	539	645	691	729	724
Non-current assets	427	417	408	351	338
Current liabilities	524	600	617	578	540
Non-current liabilities	157	177	196	217	237

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,000	2,154	2,154	2,154	2,154
Other - GST	103	108	114	114	118
Total cash received	2,103	2,262	2,268	2,268	2,272
Cash used					
Employees	534	917	917	917	917
Suppliers	578	1,190	1,195	1,198	1,190
Total cash used	1,112	2,107	2,112	2,115	2,107
Net cash from or (used by) operating activities	991	155	156	153	165
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	483	55	110	110	165
Total cash used	483	55	110	110	165
Net cash from or (used by) investing activities	(483)	(55)	(110)	(110)	(165)
Net increase/(decrease) in cash held	508	100	46	43	-
Cash at the beginning of the reporting period	-	508	608	654	697
Cash at the end of the reporting period	508	608	654	697	697

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	458	100	100	50	100
Total	458	100	100	50	100

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	427	-	-	-	427
Additions	-	-	-	100	-	-	-	100
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(110)	-	-	-	(110)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	417	-	-	-	417
Represented by								
Self funded	-	-	-	-	-	-	-	-
Appropriations	-	-	-	417	-	-	-	417
Total represented by	-	-	-	417	-	-	-	417

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Inspector-General of Taxation does not have purchaser/provider arrangements in place.

COST RECOVERY ARRANGEMENTS

The Inspector-General of Taxation does not have any cost recovery arrangements in respect of operational activities. Various organisations do provide travel and accommodation associated with some speaking engagements. The Inspector-General is currently negotiating a cost recovery/contra agreement with the Australian Reinsurance Pool Corporation in respect of office accommodation arrangements in Sydney and Canberra.

NATIONAL COMPETITION COUNCIL

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The role of the National Competition Council (NCC) is to oversee and assist the implementation of National Competition Policy and related reforms outlined in frameworks developed and agreed by all governments. Its responsibilities also include assisting public awareness of governments' competition reform agendas, recommending on the design and coverage of infrastructure access regimes under Part IIIA of the *Trade Practices Act 1974*, and assessing whether the Australian Government, States and Territories have made satisfactory progress towards their commitments to competition policy reform.

Through constructive engagement with governments the NCC works towards completing the reform programme agreed in April 1995. The NCC also helps the community to become better attuned to the scope and potential favourable outcomes of competition reform. This approach facilitates increased competition to be introduced where it will result in greater economic growth, less unemployment, better social outcomes and the better use of resources for the benefit of all Australians. This vision is embodied in the Council's mission: 'To help raise the living standards of the Australian community by ensuring that conditions for competition prevail throughout the economy that promote growth, innovation and productivity'.

APPROPRIATIONS AND RESOURCING

The total appropriation for the NCC in the 2004-05 Budget is \$3.9 million. Table 1.1 on the following page provides this detail.

National Competition Council — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000				Administered \$'000		\$'000 Total appropriations
	Revenues from government (appropriations)	Special approps	Total	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Total administered appropriations
	Bill No. 1					Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)
	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(D)	(E = C+D) (E1) ⁽¹⁾	(F)	(G)
Outcome 1 - The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community	3,896	-	3,896	33	3,929	-	-
			99%	1%	100%		
	3,896	-	(K1) ⁽¹⁾ 3,896	33	3,929	-	-
Total							
						Agency capital (equity injections and loans)	
						Administered capital	
						Total appropriations	
							3,896

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	32	33
Total non-appropriation agency revenues	32	33

The Council receives approximately \$32,000 from applications for revocation and coverage of pipelines under the National Gas Code. Cost recovery arrangements account for less than one per cent of the Council's Budget.

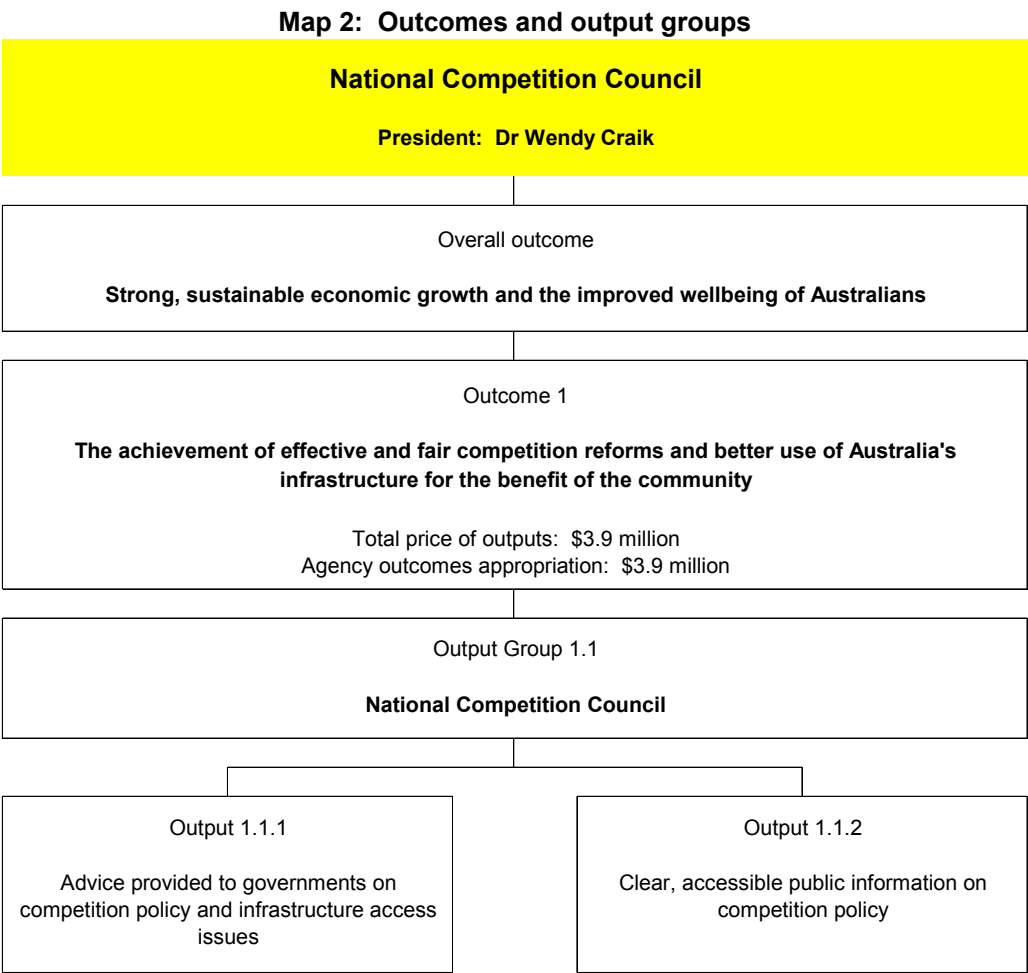
AGENCY EQUITY INJECTIONS AND LOANS

The NCC does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

Map 2 shows the relationship between government outcomes and the contributing outputs for the National Competition Council (NCC). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.



Output cost attribution

The \$0.2 million attributed to the Output – clear, accessible public information on competition policy – primarily covers direct costs of these activities. Expenditure on this output is small in total and as a proportion of the Council’s total budget. The formal allocation of overheads would not make a material difference to the Council’s budget. The Council has concluded that it is not cost effective to allocate overheads to this output.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs

OUTCOME 1 — DESCRIPTION

The achievement of effective and fair competition reforms and better use of Australia’s infrastructure for the benefit of the community.

Measures affecting Outcome 1

There are no measures for the NCC in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Agency appropriations		
Output Group 1.1 - National Competition Council		
Output 1.1.1 - Advice provided to governments on competition policy and infrastructure access issues	3,645	3,692
Output 1.1.2 - Clear, accessible public information on competition policy	202	204
Total revenues from government (appropriations)	3,847	(C1) ⁽¹⁾ 3,896
Contributing to price of agency outputs	99%	99%
Revenue from other sources		
Goods and services	32	33
Proceeds from sale of assets	-	-
Other	-	-
Total revenue from other sources	32	33
Total price from agency outputs		
(Total revenues from government and from other sources)	3,879	(E1) ⁽¹⁾ 3,929
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	3,879	3,929
	2003-04	2004-05
Average staffing level (number)	20	20

1. C1 and E1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The NCC pursues goals and strategies that allow it to provide advice to governments on competition policy and infrastructure access and public information on competition policy. These goals and strategies work towards the achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - National Competition Council	
Output 1.1.1 - Advice provided to governments on competition policy and infrastructure access issues	Advice and recommendations meet criteria of robustness, quality and timeliness. Advice and recommendations take into account all relevant considerations and meet Ministers' needs. Recommendations to governments and representations to the Australian Competition Tribunal on access to essential infrastructure services, and responses to reviews requested by governments, are effective and timely.
Output 1.1.2 - Clear, accessible public information on competition policy	Publications and explanatory material, including the Annual Report and the Council's website are comprehensive and meet deadlines, and information provided is effective in promoting understanding of competition reform, policy and processes.

EVALUATIONS

Internal, informal monitoring of the NCC's performance and output is undertaken on a continuous basis.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the National Competition Council's (NCC) 2004-05 Annual Report and form the basis for the Council's input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The NCC is budgeting for a breakeven operating result in 2004-05. An analysis of the NCC's budgeted financial statements is provided below.

The total agency revenue is estimated to be \$3.9 million. This is a small increase from the estimated 2003-04 actual, primarily due to an increase in appropriations for Comcover premium supplementation of \$29,000.

The total agency expenses will increase by \$50,000 in 2004-05 to a total of \$3.9 million. Employee expenses will increase by \$123,000 offset by a reduction in supplier expenses of \$72,000.

The net asset position for 2004-05 will marginally reduce by \$13,000, which comprises capital expenditure of \$75,000 on upgraded information technology equipment, offset by depreciation on other capital items.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in NCC's non-financial assets over the budget year 2004-05.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	3,847	(K1) ⁽¹⁾	3,896	3,953	4,035
Other	32	33	33	34	34
Total revenues from ordinary activities	3,879	3,929	3,986	4,069	4,069
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	2,187	2,310	2,256	2,289	2,289
Suppliers	1,633	1,561	1,673	1,724	1,724
Depreciation and amortisation	59	58	57	56	56
Total expenses from ordinary activities (excluding borrowing costs expense)	3,879	3,929	3,986	4,069	4,069
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	-	-	-	-	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	514	497	554	610	666
Receivables	80	80	80	80	80
Total financial assets	594	577	634	690	746
Non-financial assets					
Land and buildings	105	85	85	85	85
Infrastructure, plant and equipment	88	112	101	90	90
Other	29	29	29	29	29
Total non-financial assets	222	226	215	204	204
Total assets	816	803	849	894	950
LIABILITIES					
Provisions					
Employees	455	461	466	472	477
Total provisions	455	461	466	472	477
Payables					
Suppliers	217	198	239	278	329
Total payables	217	198	239	278	329
Total liabilities	672	659	705	750	806
EQUITY					
Parent entity interest					
Retained surpluses or accumulated deficits	144	144	144	144	144
Total parent entity interest	144	144	144	144	144
Current assets	623	606	663	719	775
Non-current assets	193	197	186	175	175
Current liabilities	445	234	234	234	234
Non-current liabilities	228	374	374	374	374

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	3,847	3,896	3,953	4,035	4,035
Other	32	33	33	33	33
Total cash received	3,879	3,929	3,986	4,068	4,068
Cash used					
Employees	2,190	2,266	2,306	2,346	2,386
Suppliers	1,571	1,605	1,623	1,666	1,626
Total cash used	3,761	3,871	3,929	4,012	4,012
Net cash from or (used by) operating activities	118	58	57	56	56
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	54	75	45	45	45
Total cash used	54	75	45	45	45
Net cash from or (used by) investing activities	(54)	(75)	(45)	(45)	(45)
Net increase/(decrease) in cash held	64	(17)	12	11	11
Cash at the beginning of the reporting period	450	514	497	509	520
Cash at the end of the reporting period	514	497	509	520	531

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	54	75	45	45	45
Total	54	75	45	45	45

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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		105	-	88	-	-	-	193
Additions	-	-	-	75	-	-	-	75
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(20)	-	(39)	-	-	-	(59)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	85	-	124	-	-	-	209
Represented by								
Self funded	-	-	-	75	-	-	-	75
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	75	-	-	-	75

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The National Competition Council (NCC) is not party to any cross agency purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

Summary of cost recovery impact statement

The Gas Pipelines Access Law and Code allow the NCC to charge for coverage and revocation applications. The NCC has determined the appropriate charge to be \$7,500 per application, which represents partial cost recovery. In 2003-04 cost recovery charges are expected to collect revenue of approximately \$32,000.

PRODUCTIVITY COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Productivity Commission (the Commission) is the Australian Government's principal review and advisory body on microeconomic policy and regulation. The Commission's work covers all sectors of the economy. It extends to the public and private sectors and focuses on areas of Commonwealth as well as State and Territory responsibility.

As a review and advisory body the Commission does not have responsibility for implementing government programmes. It carries out research, inquiry, advising and incidental functions prescribed under the *Productivity Commission Act 1998*.

The Commission contributes to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community wide perspective. It does this by undertaking:

- government commissioned projects;
- performance reporting and other services to government bodies;
- regulation review activities;
- competitive neutrality complaints activities; and
- supporting research and activities and statutory annual reporting.

APPROPRIATIONS AND RESOURCING

The total appropriation for the Commission in the 2004-05 Budget is \$24.6 million. Table 1.1 on the following page provides this detail.

Productivity Commission — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) \$'000			Administered \$'000			\$'000
	Revenues from government (appropriations)	Revenue from other sources ⁽³⁾	Price of outputs ⁽²⁾	Annual appropriations	Special appropriations	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total	Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)	(I = F+G+H)	(J = C+I)
Outcome 1 - Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective	(A)	(B)	(C = A+B) (C1) ⁽¹⁾	(D)	(E = C+D) (E1) ⁽¹⁾	(H)	
	24,588	-	24,588	285	24,873	-	24,588
Total	24,588	-	(K1) ⁽¹⁾ 24,588	1% 285	100% 24,873	-	24,588
				Agency capital (equity injections and loans)			-
				Administered capital			-
				Total appropriations			24,588

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.

2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	250	250
Other	35	35
Total non-appropriation agency revenues	285	285

Revenues from goods and services include rent from the sub-lease of accommodation, sales of publications, sales of surplus equipment and external use of the Commission's library (of which some \$10,000 is due to cost recovery arrangements).

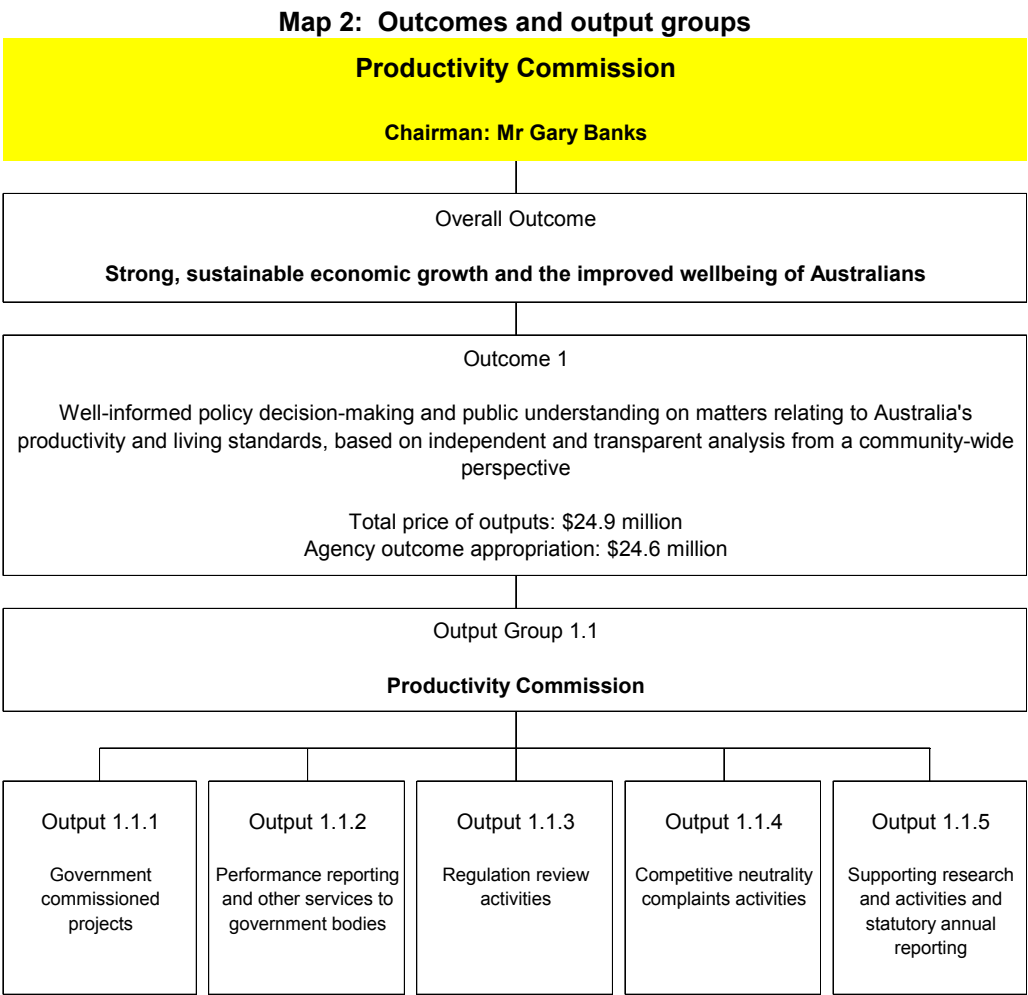
AGENCY EQUITY INJECTIONS AND LOANS

The Commission does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

Section 2: Outcomes and outputs information Outcomes, Outputs, Structures

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Productivity Commission (the Commission). Financial detail for Outcome 1 by outputs appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.



Output cost attribution

Overheads and other indirect expenses that cannot be directly attributed to outputs are allocated to outputs in proportion to the direct costs (principally salaries) of the activities undertaken within each output.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs

OUTCOME 1 — DESCRIPTION

Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Measures affecting Outcome 1

There are no measures for the Commission in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Agency appropriations		
Output Group 1.1 - Productivity Commission		
Output 1.1.1 - Government commissioned projects	10,700	10,800
Output 1.1.2 - Performance reporting and other services to government bodies	3,900	3,900
Output 1.1.3 - Regulation review activities	2,500	2,500
Output 1.1.4 - Competitive neutrality complaints activities	200	300
Output 1.1.5 - Supporting research and activities and statutory annual reporting	7,046	7,088
Total revenues from government (appropriations)	24,346	(C1) ⁽¹⁾ 24,588
Contributing to price of agency outputs	99%	99%
Revenue from other sources		
Goods and services	250	250
Other	35	35
Total revenue from other sources	285	285
Total price from agency outputs		
(Total revenues from government and from other sources)	24,631	(E1) ⁽¹⁾ 24,873
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	24,631	24,873
	2003-04	2004-05
Average staffing level (number)⁽²⁾	195	172

1. C1 and E1 show the links back to Table 1.1.

2. To deliver its mandated outputs in 2003-04, the Commission has maintained a staffing level of 195 thereby incurring an estimated loss of \$1.5 million which is being funded by drawing down on its reserves achieved in previous years.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The Commission's five outputs derive from its statutory functions. The quantum and scope of the work under each output is largely determined externally (for example, government commissioned projects, regulation impact statement assessments, competitive neutrality complaints investigations). In view of this, the Commission requires the flexibility to vary resources amongst its various outputs.

The effectiveness with which the Commission's outputs contribute to achievement of the outcome is difficult to assess. The Commission is but one source of policy advice on matters relating to Australia's productivity and living standards and many issues are complex and long term. The Commission aims to demonstrate its effectiveness by reporting annually on the relevance, quality, timeliness and cost effectiveness of its outputs.

An elaboration of the activities covered by each of the outputs is as follows:

Output 1: Government commissioned projects

Public inquiries (for example, reviews of first home ownership, the *Disability Discrimination Act 1992*, the gas access regime and native vegetation regulation), case studies and other commissioned work (such as reform of building regulation and rules of origin under the Australia-New Zealand closer economic relations trade agreement).

Output 2: Performance reporting and other services to government bodies

Government services performance reports including Commonwealth/State/Territory Service provision, new work on key indicators of Indigenous disadvantage, performance monitoring and related research on government trading enterprises.

Output 3: Regulation review activities

Assessments of regulation impact statements, and a range of associated activities such as annual reporting, research, advice and education.

Output 4: Competitive neutrality complaints activities

Investigations of competitive neutrality complaints and associated activities such as research, advice and education.

Output 5: Supporting research and activities and statutory annual reporting

Statutory annual reporting; research and working papers in support of the Commission's varying inquiry programme and to contribute to public policy issues; and associated activities such as submissions, conferences and speeches.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - Productivity Commission	
Output 1.1.1 - Government commissioned projects	Capacity to undertake projects to a cost of \$10.8 million. Projects of a high standard, useful to government, undertaken in accordance with required processes and on time.
Output 1.1.2 - Performance reporting and other services to government bodies	Capacity to provide reports and services to a cost of \$3.9 million. Reports of a high standard, useful to government, and completed on time.
Output 1.1.3 - Regulation review activities	Capacity to undertake Regulation Impact Statement assessments and associated activities to a cost of \$2.5 million. Regulation Impact Statement assessments and associated activities of a high standard, advice useful to government and on time.
Output 1.1.4 - Competitive neutrality complaints activities	Capacity to undertake activities to a cost of \$0.3 million. Competitive neutrality complaints successfully resolved within ninety days; associated activities of a high standard and useful to government.
Output 1.1.5 - Supporting research and activities and statutory annual reporting	Capacity to undertake annual reporting, research projects and associated activities to a cost of \$7.1 million. Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time.

EVALUATIONS

Evaluation of actual levels of achievement will be shown in the Commission's 2004-05 Annual Report. The framework for evaluation is described in the 2002-03 Annual Report, and will be updated in the 2004-05 Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Productivity Commission's (the Commission) 2004-05 Annual Report and form the basis for the input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The Commission is budgeting for a breakeven result in 2004-05 compared to a \$1.5 million loss in 2003-04 which is being funded by drawing down reserves achieved in previous years.

The Commission has engaged the Departments of Finance and Administration and Treasury in discussions about its financial position and current funding levels.

Budgeted agency statement of financial position

In 2004-05 the Commission's total equity is expected to move to a positive position after being negative in the previous three years. This outcome should result from a projected revaluation of the Commission's leasehold improvements, should the Commission renew its current office accommodation leases which are due to expire in 2005.

The projected upward movement in receivables reflects an ongoing accumulation of accrual funds (mainly depreciation) in the absence of any significant capital outlay on leasehold improvements, the Commission's major non-financial asset. The funds are held in the Official Public Account on behalf of the Commission.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the expected movement in the Commission's non-financial assets over the budget year 2004-05.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	24,346	(K1) ⁽¹⁾ 24,588	24,755	24,967	25,205
Goods and services	250	250	50	50	50
Other	35	35	35	35	35
Total revenues from ordinary activities	24,631	24,873	24,840	25,052	25,290
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	19,122	17,959	18,136	18,301	18,494
Suppliers	6,166	5,986	5,789	5,836	5,881
Depreciation and amortisation	849	928	915	915	915
Total expenses from ordinary activities (excluding borrowing costs expense)	26,137	24,873	24,840	25,052	25,290
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	(1,506)	-	-	-	-

1. K1 shows the link back to Table 1.1.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	203	252	267	272	263
Receivables	3,200	3,600	4,400	5,300	6,200
Accrued revenues	-	-	-	-	-
Other	300	300	300	300	300
Total financial assets	3,703	4,152	4,967	5,872	6,763
Non-financial assets					
Infrastructure, plant and equipment	918	3,456	2,846	2,256	1,626
Intangibles	33	45	70	95	120
Total non-financial assets	951	3,501	2,916	2,351	1,746
Total assets	4,654	7,653	7,883	8,223	8,509
LIABILITIES					
Provisions					
Employees	7,108	6,607	6,837	7,177	7,463
Total provisions	7,108	6,607	6,837	7,177	7,463
Payables					
Suppliers	250	250	250	250	250
Total payables	250	250	250	250	250
Total liabilities	7,358	6,857	7,087	7,427	7,713
EQUITY					
Parent entity interest					
Contributed equity	1,711	1,711	1,711	1,711	1,711
Reserves	96	3,596	3,596	3,596	3,596
Retained surpluses or accumulated deficits	(4,511)	(4,511)	(4,511)	(4,511)	(4,511)
Total parent entity interest	(2,704)	796	796	796	796
Total equity	(2,704)	796	796	796	796
Current assets	3,703	4,152	4,967	5,872	6,763
Non-current assets	951	3,501	2,916	2,351	1,746
Current liabilities	3,837	3,545	3,574	3,650	3,705
Non-current liabilities	3,521	3,312	3,513	3,777	4,008

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	24,346	24,588	24,755	24,967	25,205
Goods and services	250	250	50	50	50
Total cash received	24,596	24,838	24,805	25,017	25,255
Cash used					
Employees	18,588	18,460	17,906	17,961	18,208
Suppliers	6,150	5,609	5,764	5,831	5,836
Cash to Official Public Account	(200)	400	800	900	900
Total cash used	24,538	24,469	24,470	24,692	24,944
Net cash from or (used by) operating activities	58	369	335	325	311
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	10	10	10	10	10
Total cash received	10	10	10	10	10
Cash used					
Purchase of property, plant and equipment	424	330	330	330	330
Total cash used	424	330	330	330	330
Net cash from or (used by) investing activities	(414)	(320)	(320)	(320)	(320)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	25	-	-	-	-
Total cash received	25	-	-	-	-
Net cash from or (used by) financing activities	25	-	-	-	-
Net increase/(decrease) in cash held	(331)	49	15	5	(9)
Cash at the beginning of the reporting period	534	203	252	267	272
Cash at the end of the reporting period	203	252	267	272	263

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	25	-	-	-	-
Funded internally by agency resources	399	330	330	330	330
Total	424	330	330	330	330

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	918	-	33	-	951
Additions	-	-	-	300	-	30	-	330
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	3,148	-	-	-	3,148
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(910)	-	(18)	-	(928)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	3,456	-	45	-	3,501
Represented by								
Self funded	-	-	-	300	-	30	-	330
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	300	-	30	-	330

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention, except for certain assets which are at valuation.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Productivity Commission (the Commission) has no purchaser/provider arrangements in place.

COST RECOVERY ARRANGEMENTS

As disclosed in the comments for Table 1.3 – Agency Revenues, the Commission has a single cost recovery arrangement for the external use of its library and expects to receive about \$10,000 in 2004-05.

GLOSSARY

Accrual accounting	System of accounting where items are brought to account and included in the financial statements as they are earned or incurred, rather than as they are received or paid.
Accumulated depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Additional estimates	Where amounts appropriated at Budget time are insufficient, Parliament may appropriate more funds to portfolios through the Additional Estimates Acts.
Appropriation	An authorisation by Parliament to spend moneys from the Consolidated Revenue Fund for a particular purpose.
Annual appropriation	Two appropriation Bills are introduced into Parliament in May and comprise the Budget for the financial year beginning 1 July. Further Bills are introduced later in the financial year as part of the additional estimates. Parliamentary departments have their own appropriations.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund (CRF). The CRF is not a bank account. The Official Public Account reflects most of the operations of the CRF.

Departmental items	Assets, liabilities, revenues and expenses which are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Effectiveness indicators	Measures the joint or independent contribution of outputs and administered items to the achievement of their specified outcome.
Efficiency indicators	Measures the adequacy of an agency's management of its outputs (and where applicable, administered items). Includes Price, Quality and Quantity indicators. The interrelationship between the three efficiency indicators of any one output should be considered when judging efficiency.
Equity or net assets	Residual interest in the assets of an entity after deduction of its liabilities.
Expense	Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.
Fair value	Valuation methodology: The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value can be affected by the conditions of the sale, market conditions and the intentions of the asset holder.

Intermediate outcomes	More specific medium-term impacts (trend data, targets or milestones) below the level of the planned outcomes specified in the Budget. Combination of several intermediate outcomes can at times be considered as a proxy for determining the achievement of outcomes.
Operating result	Equals revenue less expense.
Outcomes	The Government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Commonwealth. Actual outcomes are assessments of the results or impacts actually achieved.
Output Groups	A logical aggregation of agency outputs, where useful, based either on homogeneity, type of product or beneficiary target group. Aggregation may also be needed for the provision of adequate information for performance monitoring, or based on a materiality test.
Outputs	The goods and services produced by agencies on behalf of government for external organisations or individuals. Outputs also include goods and services for other areas of government external to the agency.
Price	One of the three key efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organisation, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.
Quantity	One of the three key efficiency indicators. Size of an output. Count or volume measures. How many or how much.

Glossary

Revenue	Total value of resources earned or received to cover the production of goods and services.
Special account	Balances existing within the Consolidated Revenue Fund (CRF), that are supported by standing appropriations (section 20 and section 21 of the <i>Financial Management and Accountability Act 1997</i> (FMA)). Special accounts allow money in the CRF to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (section 20 of the FMA) or through an Act of Parliament (referred to in section 21 of the FMA).
Special appropriations (including Standing appropriations)	An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year.

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