PART C

AGENCY BUDGET STATEMENTS

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 (A)	Special approps (B)	Total (C = A+B) (C1)[1]	(D)	(E = C+D) (E1)[1]	Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs)[2] (G)	(H)	(I = F+G+H) (I1)[1]	(J = C+I)
Outcome 1 - Sound macroeconomic environment	23,382	-	23,382	719	24,101	-	-	14,867	14,867	38,249
Outcome 2 - Effective government spending and taxation arrangements	53,289	-	53,289	1,638	54,927	-	16,414	35,637,712	35,654,126	35,707,415
Outcome 3 - Well functioning markets	32,393	-	32,393	47,693	80,086	9,000	159,799	-	168,799	201,192
			69%	31%	100%					
Total	109,064	-	(K1)[1] 109,064	50,050	159,114	9,000	176,213	35,652,579	(K2)[1] 35,837,792	35,946,856
								Departmental capital (equity injections and loans)	(K3)[1]	7,381
								Administered capital (includes administed 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-Unitied States Free Trade Agreement - realising competiton 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 Methodology	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		
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999	(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 *International Monetary Agreements Act 1947*	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			
International Monetary Agreements Act 1947	1	14,674	14,867
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999	2	868,298	792,712
Superannuation Industry (Supervision) Act 1993	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 balance	receipts	payments	closing 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 HIH Assistance Scheme. The Appropriation Bill No. 2 item relates to capital payments to the European Bank for Reconstruction and Development and Australia's contribution to the International Monetary Fund's Poverty Reduction and Growth Facility.

The Department of the Treasury will receive 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

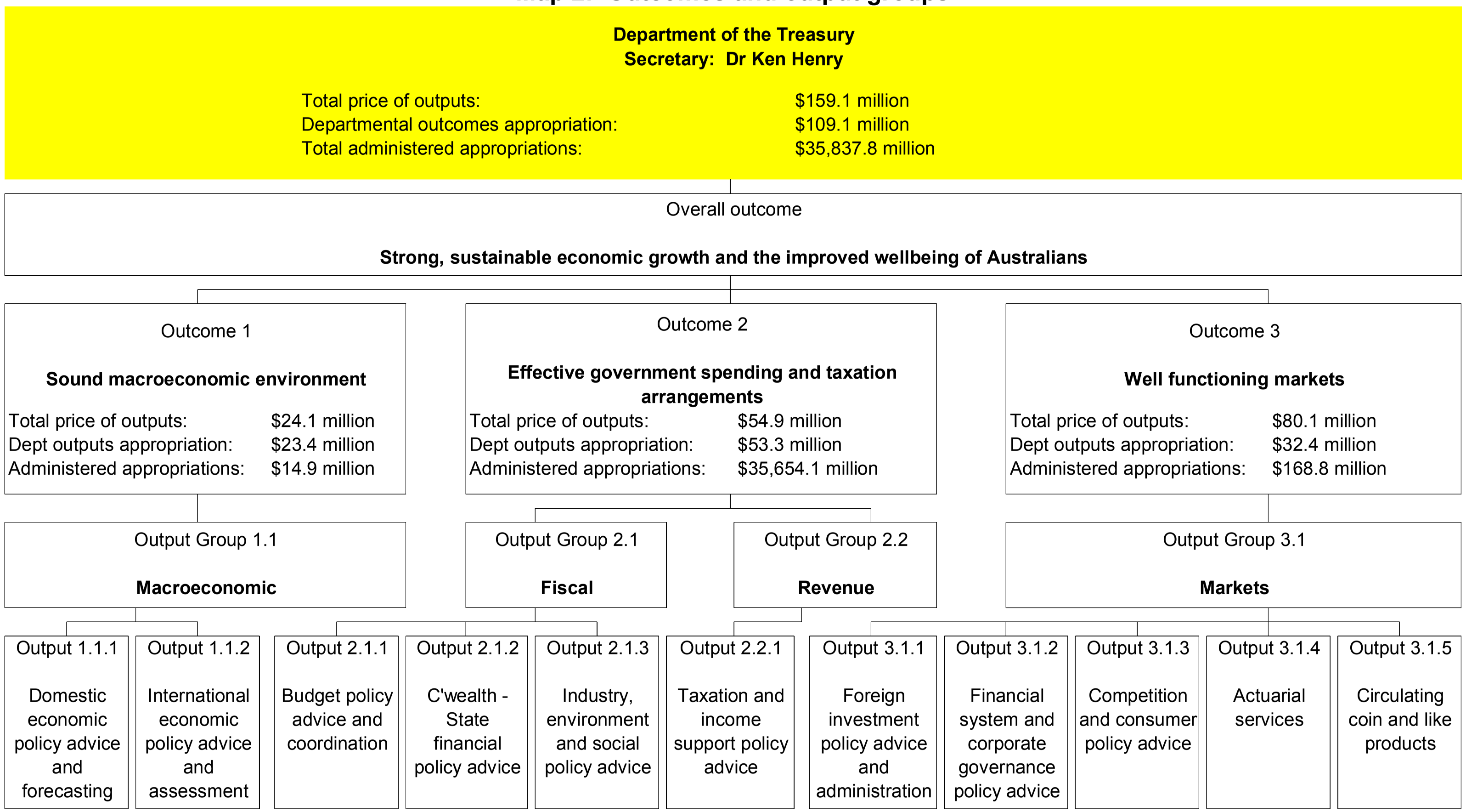
The map on the following page shows the relationship between government outcomes and the contributing outputs for the Department of the Treasury. Financial details for Outcomes 1, 2 and 3, by output, appear in Tables 2.1.1, 2.1.2 and 2.1.3 respectively, while non-financial information for the three outcomes 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			
International Monetary Agreements Act 1947	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			
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999	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 oversighting 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			
Superannuation Industry (Supervision) Act 1993	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 HIH 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 HIH 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 oversighting audit standard setting and auditor independence issues following the implementation of proposals to strengthen corporate reporting and disclosure under CLERP 9.

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

The 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.