AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Agency overview and resources; variations and measures

OVERVIEW

There has been no change to the overview included in the *Portfolio Budget Statements 2007-08* (page 137).

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
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	The single outcome consists of one output group comprising three outputs; namely policy development, surveillance program and prudential advice	Output Group 1.1 Australian Prudential Regulation Authority

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

The following variations in Table 1.2 contributed to a net increase in agency outputs in 2007-08.

Table 1.2: Additional estimates and variations to outcomes — measures

	2007-08 $'000	2008-09 $'000	2009-10 $'000	2010-11 $'000
Outcome 1				
Expense measures				
Efficiency dividend - increase in the rate from 1 per cent to 1.25 per cent	-	(236)	(473)	(713)
Election Commitment Savings: 2 per cent Efficiency Dividend	(427)	(1,886)	(1,879)	(1,890)
Standard Business Reporting	687	1,580	3,980	1,946
Standard Business Reporting *(related capital)*	-	1,865	1,022	-

Note: These figures represent the impact on the fiscal balance.

Table 1.3: Additional estimates and variations to outcomes — other variations

APRA does not have any other variations to Outcome 1.

MEASURES — AGENCY SUMMARY

Table 1.4: Summary of measures since the 2007-08 Budget

Measure	Outcome	Output groups affected	2007-08 $'000			2008-09 $'000			2009-10 $'000			2010-11 $'000		
			Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Expense measures														
Efficiency dividend - increase in the rate from 1 per cent to 1.25 per cent	1	1.1	-	-	-		(236)	(236)		(473)	(473)		(713)	(713)
Election Commitment Savings: 2 per cent Efficiency Dividend	1	1.1	-	(427)	(427)		(1,886)	(1,886)		(1,879)	(1,879)		(1,890)	(1,890)
Standard Business Reporting	1	1.1	-	687	687		1,580	1,580		3,980	3,980		1,946	1,946
Total expense measures			-	260	260	-	(542)	(542)	-	1,628	1,628	-	(657)	(657)
Related capital														
Standard Business Reporting	1	1.1	-	-	-	-	1,865	1,865	-	1,022	1,022	-	-	-
Total of all measures			-	260	260	-	1,323	1,323	-	2,650	2,650	-	(657)	(657)

Note: These figures represent the impact on the fiscal balance.

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.5: Appropriation Bill (No. 3) 2007-08

	2006-07 available $'000	2007-08 Budget $'000	2007-08 revised $'000	Additional estimates[1] $'000	Reduced estimates $'000
DEPARTMENTAL OUTPUTS					
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	3,687	2,580	2,840	260	-
Total	3,687	2,580	2,840	260	-

1. This figure represents the impact on appropriations.

Table 1.6: Appropriation Bill (No. 4) 2007-08

APRA does not have any appropriations from Appropriation Bill (No. 4) 2007-08.

SUMMARY OF STAFFING CHANGES

Table 1.7: Average Staffing Level (ASL)

There has been no change to the ASL estimates included in the *Portfolio Budget Statements 2007-08.*

OTHER RECEIPTS AVAILABLE TO BE USED

Table 1.8: Other receipts available to be used

APRA has not made any changes to other receipts available to be used since the *Portfolio Budget Statements 2007-08.*

ESTIMATES OF EXPENSES FROM SPECIAL APPROPRIATIONS

Table 1.9: Estimates of expenses from special appropriations

	Outcome No	Budget estimate 2007-08 $'000	Revised estimate 2007-08 $'000
Estimated expenses			
Australian Prudential Regulation Authority Act 1998			
- section 50	1	93,758	79,338
Total estimated expenses		93,758	79,338

ESTIMATES OF SPECIAL ACCOUNT FLOWS

Table 1.10: Estimates of special account flows

	Outcome No.	Opening Balance **2007-08** *2006-07* $'000	Receipts **2007-08** *2006-07* $'000	Payments **2007-08** *2006-07* $'000	Adjustments **2007-08** *2006-07* $'000	Closing Balance **2007-08** *2006-07* $'000
APRA Special Account - *Australian Prudential Regulation Authority Act 1998*	1	**46,606**	**83,608**	**98,100**	**-**	**32,114**
		-	-	-	-	-
Total special accounts 2007-08 Budget estimate		**46,606**	**83,608**	**98,100**	**-**	**32,114**
Total special accounts 2006-07 actual		**-**	**-**	**-**	**-**	**-**

Note: The APRA special account was established in June 2007 in preparation for APRA's move to governance under the *Financial Management and Accountability Act 1997*.

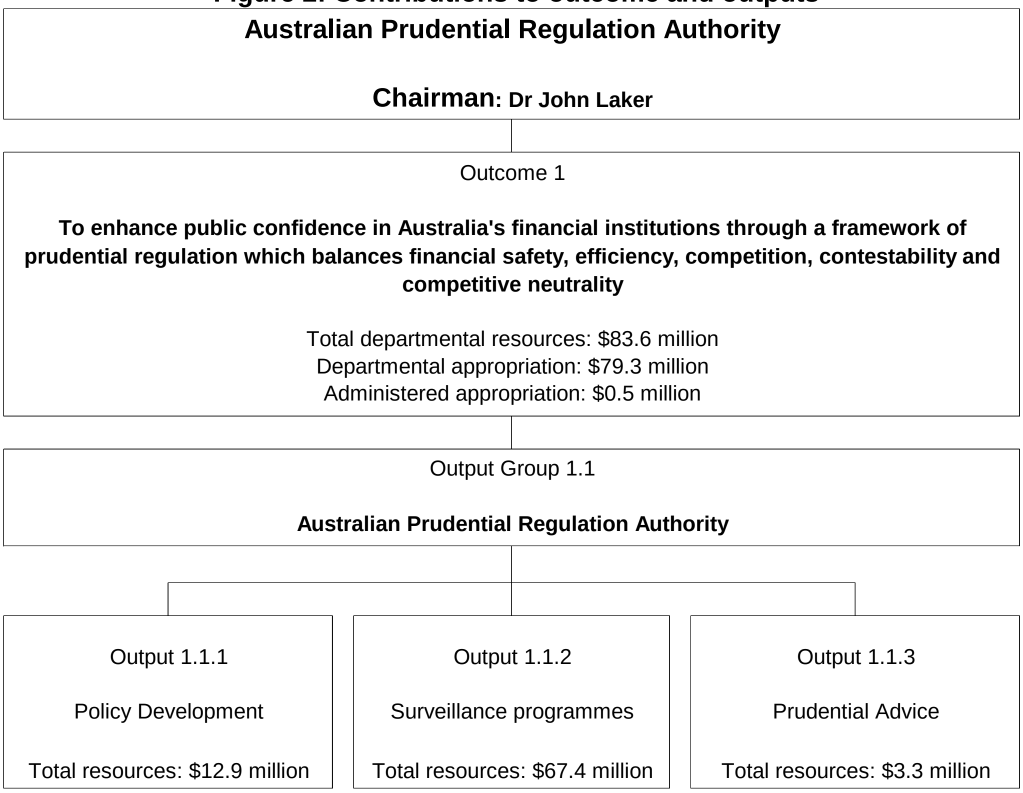
Section 2: Revisions to agency outcomes

OUTCOMES, ADMINISTERED ITEMS AND OUTPUTS

The Australian Prudential Regulation Authority (APRA) has not made any changes to its outcome or outputs since the *Portfolio Budget Statements 2007-08.*

The relationship between the activities of APRA and its outcome, and the impact of additional estimates on resourcing is summarised in Figure 2 as follows:

Figure 2: Contributions to outcome and outputs



Revised performance information — 2007-08

There has been no change to APRA's performance information since the *Portfolio Budget Statements 2007-08*.

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

BUDGETED FINANCIAL STATEMENTS

Departmental financial statements

Budgeted departmental income statement

The budgeted Departmental Income Statement (refer Table 3.1) shows a decrease in appropriations in 2007-08 from $93.8 million shown in the *Portfolio Budget Statements 2007-08* to $79.3 million. The decrease reflects the impacts of budget measures, as shown in Table 1.2 and Table 1.4, and the use of cash reserves to partially offset 2007-08 operating costs.

In total, $11.1 million is sought across 2007-08 and the forward estimates to meet the requirements of the Standard Business Reporting (SBR) measure.

SBR related costs will mainly arise around IT consultancy and contractor expenditure. Capitalisation of SBR related costs will not occur until the completion of the project in 2011-12. As a result there is no change in deprecation charges from those noted in the *Portfolio Budget Statement 2007-08*.

APRA is budgeting for an operating deficit of $14.5 million in 2007-08.

Budgeted departmental balance sheet

The Departmental Balance Sheet (Table 3.2) reflects a decrease in total financial assets between 2006-07 and 2007-08 mainly reflecting the use of $14.7 million cash surpluses to partially meet APRA's 2007-08 operating costs.

No material change in non-financial assets is expected in 2007-08, however capital investment related to the SBR project will see non-financial asset balances grow beyond 2007-08, see also Table 3.5.

Reserves of $6.4 million reflect the establishment of a $6.0 million Contingency Enforcement Fund to enable APRA to prosecute high profile enforcement proceedings as and when they arise, and a capital revaluation reserve of $0.4 million.

Overall, APRA will maintain its sound financial position and continue to have sufficient resources available to cover its financial obligations.

Budgeted departmental statement of cash flows

The Departmental Statement of Cash Flows (Table 3.3) reflects the decrease in appropriations as detailed in Table 3.1. In addition, an increase in capital purchases related to SBR is offset by the corresponding capital measure reflected under Financing Activities.

Departmental statement of changes in equity — summary of movement

Table 3.4 shows the expected changes in equity from one financial year to the next.

Departmental capital budget statement

The Departmental Capital Budget Statement (Table 3.5) indicates that APRA's general capital requirements will be met from internally generated resources and appropriations to meet SBR related capital expenditure.

Departmental property, plant, equipment and intangibles — summary of movement

The expected movements in non-financial asset values between 2006-07 and 2007-08 are shown in Table 3.6, the main activity being in infrastructure, plant and equipment to replace retired assets.

Schedule of administered activity

Schedule of budgeted income and expenses administered on behalf of government

The Schedule of Budgeted Income and Expenses Administered on behalf of Government (Table 3.7) shows the amounts APRA collects in supervisory levies from the finance industry on behalf of the Government under the *Financial Institutions Supervisory Levies Collection Act 1998*. In addition to the amount required to fund APRA, the levies also include amounts to fund the activities of the Australian Taxation Office for unclaimed moneys and lost member functions and the Australian Securities and Investments Commission for consumer protection and market integrity functions. The expenses shown are an estimate of the amount of levies and penalties that will be waived or written off in the year.

Schedule of budgeted assets and liabilities administered on behalf of government

Table 3.8 refers to minor amounts of administered income that may not be collected at year end.

Schedule of budgeted administered cash flows

As indicated in the Schedule of Budgeted Administered Cash Flows (Table 3.9), the cash collected is swept daily from the APRA account to the Official Public Account.

BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Budgeted departmental income statement (for the period ended 30 June)

	Actual 2006-07 $'000	Revised budget 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
INCOME					
Revenue					
Revenues from Government	97,832	79,338	94,027	95,845	94,068
Goods and services	5,306	4,220	2,495	2,495	2,495
Interest	3,607	-	-	-	-
Rents	737	-	-	-	-
Other	679	50	50	50	50
Total income	108,161	83,608	96,572	98,390	96,613
EXPENSE					
Employees	61,261	69,196	68,533	69,472	69,596
Suppliers	26,529	25,481	24,687	25,132	23,258
Depreciation and amortisation	3,272	3,423	3,246	3,684	3,684
Total expenses	91,062	98,100	96,466	98,288	96,538
Net surplus or (deficit) attributable to the Australian Government	17,099	(14,492)	106	102	75

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	Actual 2006-07 $'000	Revised budget 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
ASSETS					
Financial assets					
Cash	46,626	32,027	31,588	32,024	31,450
Receivables	1,682	2,040	1,128	768	1,088
Accrued revenues	211	500	500	450	450
Total financial assets	48,519	34,567	33,216	33,242	32,988
Non-financial assets					
Infrastructure, plant and equipment	5,101	5,235	8,888	10,788	11,609
Intangibles	3,419	3,357	2,924	2,549	2,220
Other	902	923	940	960	979
Total non-financial assets	9,422	9,515	12,752	14,297	14,808
Total assets	57,941	44,082	45,968	47,539	47,796
LIABILITIES					
Provisions					
Employees	17,245	17,696	17,459	17,733	17,747
Other	2,303	2,356	2,401	2,451	2,500
Total provisions	19,548	20,052	19,860	20,184	20,247
Payables					
Suppliers	5,590	5,719	5,827	5,950	6,069
Total payables	5,590	5,719	5,827	5,950	6,069
Total liabilities	25,138	25,771	25,687	26,134	26,316
EQUITY					
Contributed equity	3,155	3,155	3,155	3,155	3,155
Reserves	6,368	6,368	6,368	6,368	6,368
Retained surpluses or accumulated deficits	23,280	8,788	10,759	11,881	11,957
Total equity	32,803	18,311	20,282	21,404	21,480
Current assets	49,421	35,490	34,157	34,201	33,967
Non-current assets	8,520	8,593	11,812	13,337	13,829
Current liabilities	20,347	20,859	20,791	21,153	21,300
Non-current liabilities	4,791	4,912	4,896	4,981	5,016

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

	Actual 2006-07 $'000	Revised budget 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	9,489	2,110	1,248	1,248	250
Appropriations	96,551	79,338	94,027	95,845	94,068
Interest	3,553	-	-	-	-
Other	3,427	50	50	50	50
Total cash received	113,020	81,498	95,325	97,143	94,368
Cash used					
Employees	59,810	67,120	66,477	67,388	67,508
Suppliers	31,401	25,481	24,687	25,132	23,258
Total cash used	91,211	92,601	91,164	92,520	90,766
Net cash from or (used by) operating activities	21,809	(11,103)	4,161	4,623	3,602
INVESTING ACTIVITIES					
Cash received					
Investments (s.39 FMA Act; s.18 CAC Act; s.19 CAC Act)	14,849	-	-	-	-
Total cash received	14,849	-	-	-	-
Cash used					
Purchase of property, plant and equipment	(3,464)	(3,496)	(6,465)	(5,209)	(4,176)
Total cash used	(3,464)	(3,496)	(6,465)	(5,209)	(4,176)
Net cash from or (used by) investing activities	11,385	(3,496)	(6,465)	(5,209)	(4,176)
FINANCING ACTIVITIES					
Cash received					
Appropriation - Capital Measure	-	-	1,865	1,022	-
Total cash received	-	-	1,865	1,022	-
Net cash from or (used by) financing activities	-	-	1,865	1,022	-
Net increase or (decrease) in cash held	33,194	(14,599)	(439)	436	(574)
Cash at the beginning of the reporting period	13,432	46,626	32,027	31,588	32,024
Cash at the end of the reporting period	46,626	32,027	31,588	32,024	31,450

Table 3.4: Departmental statement of changes in equity — summary of movement (Budget 2007-08)

	Accumulated results	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2007					
Balance carried forward from previous period	23,280	368	6,000	3,155	32,803
Adjusted opening balance	23,280	368	6,000	3,155	32,803
Income and expense					
Net operating result	(14,492)	-	-	-	(14,492)
Total income and expenses recognised directly in equity	(14,492)	-	-	-	(14,492)
Estimated closing balance as at 30 June 2008	8,788	368	6,000	3,155	18,311

Table 3.5: Departmental capital budget statement

	Actual	Revised budget	Forward estimate	Forward estimate	Forward estimate
	2006-07	2007-08	2008-09	2009-10	2010-11
	$'000	$'000	$'000	$'000	$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	1,865	1,022	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	1,865	1,022	-
Funded internally by departmental resources	3,464	3,496	4,600	4,187	4,176
Total	3,464	3,496	6,465	5,209	4,176

Table 3.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

	Land	Investment property	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	$'000
As at 1 July 2007									
Gross book value	-	-	-	-	6,978	-	13,145	-	20,123
Accumulated depreciation	-	-	-	-	(3,087)	-	(8,516)	-	(11,603)
Opening net book value	-	-	-	-	3,891	-	4,629	-	8,520
Additions:									
by purchase	-	-	-	-	2,561	-	935	-	3,496
Depreciation/amortisation expense	-	-	-	-	(2,426)	-	(997)	-	(3,423)
As at 30 June 2008									
Gross book value	-	-	-	-	9,539	-	14,080	-	23,619
Accumulated depreciation	-	-	-	-	(5,514)	-	(9,512)	-	(15,026)
Estimated closing net book value	**-**	**-**	**-**	**-**	4,025	-	4,568	-	8,593

Table 3.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Actual 2006-07 $'000	Revised budget 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	114,732	105,238	119,927	121,745	119,968
Total revenues administered on behalf of Government	114,732	105,238	119,927	121,745	119,968
Total income administered on behalf of Government	114,732	105,238	119,927	121,745	119,968
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write down and impairment of assets	500	500	500	500	500
Total expenses administered on behalf of Government	500	500	500	500	500

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Actual 2006-07 $'000	Revised budget 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	150	150	150	150	150
Total financial assets	150	150	150	150	150
Total assets administered on behalf of Government	150	150	150	150	150

Table 3.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Actual 2006-07 $'000	Revised budget 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
OPERATING ACTIVITIES					
Cash received					
Other	114,732	105,238	119,927	121,745	119,968
Net cash from or (used by) operating activities	114,732	105,238	119,927	121,745	119,968
FINANCING ACTIVITIES					
Cash used					
Cash to Official Public Account	(114,732)	(105,238)	(119,927)	(121,745)	(119,968)
Net cash from or (used by) financing activities	(114,732)	(105,238)	(119,927)	(121,745)	(119,968)
Cash at end of reporting period	-	-	-	-	-

Table 3.10: Schedule of administered capital budget

APRA does not have any administered capital.

Table 3.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

APRA does not have any administered property, plant, equipment or intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

Budgeted departmental statement of financial performance

Revenues from government

APRA is funded by a special appropriation for levies 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 the Australian Taxation Office (ATO), for unclaimed monies and lost member functions.

Other revenue

Revenue from rendering of specific services is recognised by reference to the stage of completion of contracts or other agreements. Revenue from licence fees is recognised on receipt of the application and licence fee. Revenue from sub-lease rentals is recognised upon issue of invoice. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Depreciation and amortisation

APRA's depreciation expense remains in balance with the capital program aimed at maintaining APRA's processes and infrastructure to an appropriate standard.

Budgeted departmental statement of financial position

Financial assets

These include within receivables, levies invoiced but still outstanding at the financial year end and accrued revenues being interest and fees prorated over the periods to which they relate.

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. All of the foregoing assets are shown at fair value. Intangible assets comprise capitalised software, including work in progress and are shown at cost. APRA does not own any land or buildings.

Other non-financial assets include prepayments.

Provisions and payables

Provisions and payables represent liabilities for miscellaneous accruals and employee benefits, including accrued salary and leave entitlements, provisions for making good leased premises and payments to trade creditors.

Equity

The opening balance of contributed equity 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, less an amount of $2.1 million returned to the Consolidated Revenue Fund as a return of unused appropriation in 2004-05.

Budgeted departmental statement of cash flows

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

Schedule of budgeted revenues and expenses administered on behalf of Government

Revenues

The other non taxation revenues are the levies 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 and ATO activities described above.

Write down and impairment of assets

Write down and impairment of assets represents waivers and write-offs of levies.

Schedule of budgeted assets and liabilities administered on behalf of Government

Financial assets

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

Schedule 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.