PORTFOLIO
BUDGET STATEMENTS
2007-08

TREASURY PORTFOLIO

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

BUDGET RELATED PAPER No. 1.17

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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 2007-08 Budget for the Treasury Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the outcomes for the portfolio.

I present these statements to provide accountability to the Parliament and, through it, the public.

Yours sincerely

Peter Costello

Abbreviations and conventions

The following notations may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
$m	$ million
$b	$ billion

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

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A copy of this document can be located on the Australian Government Budget website at: http://www.budget.gov.au.

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PURPOSE AND STRUCTURE OF THE PORTFOLIO BUDGET STATEMENTS

Purpose of the Portfolio Budget Statements

The purpose of the 2007-08 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 acts, special appropriations (including standing appropriations and 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 2007-08 (or Appropriation Bill [Parliamentary Departments] No. 1 2007-08 for the parliamentary departments). In this sense the PB Statements are Budget related papers and are declared by the Appropriation Acts to be 'relevant documents' to the interpretation of the Acts according to section 15AB of the *Acts Interpretation Act 1901*.

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

As required under section 12 of the *Charter of Budget Honesty Act 1998*, non-general government sector entities are not consolidated into the Commonwealth general government sector fiscal estimates and accordingly, these entities are not reported in the PB Statements.

Structure of the Portfolio Budget Statements

The PB Statements are presented in four sections, aligned in several ways to the Budget Papers, as outlined below.

Purpose and Structure of the Portfolio Budget Statements	
An introduction, explaining the purpose of the PB Statements and the structure of the document.	
Portfolio Overview	
A brief overview of the portfolio. Portfolio outcomes are depicted in a chart outlining the structure of the outcomes to which the portfolio contributes. This includes a table for Australian Government Indigenous Expenditure for the portfolio.	
Agency Budget Statements	
For each agency within the portfolio, a budget statement is presented in five sections:	
Section 1: Overview	A brief overview of the agency.
Section 2: Resources for 2007-08	A reconciliation of agency resourcing information from the *2006-07 Mid-Year Economic and Fiscal Outlook* to the 2007-08 Budget. Includes key changes to the agency's estimates and a table of appropriations and other revenue sources for both Administered and Departmental appropriations.
Section 3: Outcomes	A brief description of the agency's outcomes and, where applicable, Budget measures in summary form. Details the contribution of the agency's outputs to the outcome, performance information for the outcome(s), outputs and administered activities, and planned evaluations. Notes upcoming competitive tendering and contracting that is of a material or sensitive nature. Links the resources appropriated and their application to the agency's outputs and to Administered items.
Section 4: Other reporting requirements	Includes purchaser-provider and cost recovery components.
Section 5: Budgeted financial statements	The agency's budgeted financial statements in accrual format, covering the Budget year, the preceding year and three forward years.
Glossary	
A glossary is included at the end of the document that explains key terms.	

PORTFOLIO BUDGET STATEMENTS AND BUDGET PAPERS

Comprehensive information on all government decisions announced in the Budget are in Budget Paper No. 2, *Budget Measures 2007-08*. The PB Statements include Budget measures in each agency's Table 2.2, 2007-08 Budget Measures.

The following chart shows the parts of PB Statements which relate to specific Budget papers.

Budget Paper	PB Statements
Budget Paper No. 1: Budget Strategy and Outlook	
Statement 1: Fiscal Strategy and Budget Priorities Overview of the fiscal and economic outlook	Portfolio structure (Agency) Overview (Agency) Resources for 2007-08
Statement 2: Fiscal Outlook Budget aggregates and variations to the fiscal balance estimates	(Agency) Resources for 2007-08
Statement 10: AAS Financial Statements Accrual financial statements for the general government sector	(Agency) Budgeted financial statements
Budget Paper No. 2: Budget Measures	
Budget revenue, expense and capital measures	(Agency) Resources for 2007-08
Budget Paper No. 3: Federal Financial Relations	
Information on the Australian Government's relations with States, Territories and local government, in particular, Specific Purpose Payments	(Agency) Resources for 2007-08 (Agency) Outcomes
Budget Paper No. 4: Agency Resourcing	
Resourcing for Australian Government agencies, including Appropriation Bills	(Agency) Resources for 2007-08

Departmental and administered distinction

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies decide (departmental transactions) are separately budgeted for and reported on from transactions agencies make on behalf of others (administered transactions). This ensures that the transactions decided by agencies are reported separately from other transactions in their accounts.

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

Appropriations in the accrual budgeting framework

In the accrual budgeting framework, separate annual appropriations are provided for:

- Departmental price of outputs appropriations: representing the Government's funding for outputs from agencies;
- Departmental capital appropriations for investments by the Government for either additional equity or loans to agencies or payments from previous years' outputs;
- Administered expense appropriations: for the estimated administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the States and Territories; and
- Administered capital appropriations: for increases in administered equity through funding non-expense administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to State governments). The appropriation framework is discussed further in the introduction to Budget Paper No. 4, *Agency Resourcing 2007-08*.

Components of agency financial statements

Reporting requirements for budgeted financial statements differ between agencies (for example, according to whether the agency participates in administered transactions). Therefore, not all agencies are required to report against all schedules.

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2007-08 Budget year and each of the forward years from 2008-09 to 2010-11. The statements also include the estimated actual for 2006-07 for comparative purposes.

The schedules included in the budgeted financial statements for 2007-08 are as follows.

Schedule	Purpose
Budgeted departmental income statement	Shows the expected financial results for the agency. Identifies full accrual expenses and revenues, which highlights whether the agency is operating at a sustainable level.
Budgeted departmental balance sheet	The financial position of the agency. It helps decision makers to track the management of assets and liabilities.
Budgeted departmental statement of cash flows	Provides 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 statement of changes in equity — summary of movement	Represents the movement of parent entity (the Commonwealth) interest in the agency. The statement has been prepared to reflect the surplus/deficit, movements of capital return and additional capital injections from the Commonwealth during the Budget year.
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 property, plant, equipment and intangibles — summary of movement	Shows budgeted acquisitions and disposals of non-financial assets during the Budget year.

Schedule	Purpose
Schedule of budgeted income and expenses administered on behalf of government	Identifies the main revenues and expenses administered on behalf of government.
Schedule of budgeted assets and liabilities administered on behalf of government	Shows the assets and liabilities administered on behalf of government.
Schedule of budgeted administered cash flows	Shows cash flows administered on behalf of government.
Schedule of administered capital budget	Shows details of planned administered capital expenditure.
Schedule of administered property, plant, equipment and intangibles — summary of movement	Discloses details of movements in administered non-financial assets.

PORTFOLIO OVERVIEW

TREASURY PORTFOLIO OVERVIEW

PORTFOLIO RESPONSIBILITIES

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 arrangements; effective taxation and retirement income arrangements; and well functioning markets. It also entails the effective implementation and administration of policies that fall within the Portfolio Ministers' responsibilities.

The **Treasury** produces outputs 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; industry, environment and defence policy advice; and social and income support policy advice.

Revenue group outputs include: taxation policy and legislation advice; and retirement income and saving policy and legislation advice.

Markets group outputs include: foreign investment and trade policy advice and administration; financial system and corporate governance policy advice; competition and consumer policy advice; and actuarial services.

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 Commonwealth Government Securities debt portfolio. Its output — debt management — aims to manage its net debt portfolio at least cost over the medium term, subject to an acceptable level of risk. It also contributes to the operation of financial markets by supporting efficient Treasury Bond and Treasury Bond futures markets.

The **Australian Prudential Regulation Authority** is the financial supervisor responsible for the prudential regulation of 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 corporate and financial services law and has responsibilities for consumer protection in relation to 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; 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 Act 2001*; 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 and advises on third party access to infrastructure. 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.

The **Royal Australian Mint** satisfies the Reserve Bank of Australia's forecast for circulating coin. Its output is coin production, associated policy advice and visitor services.

Figure 1: Portfolio structure and outcomes

Portfolio Minister - Treasurer
The Hon Peter Costello MP
Minister for Revenue and Assistant Treasurer
The Hon Peter Dutton MP
Parliamentary Secretary to the Treasurer
The Hon Chris Pearce MP

Department of the Treasury
Secretary: Dr Ken Henry AC
Outcome 1: Sound macroeconomic environment
Outcome 2: Effective government spending arrangements
Outcome 3: Effective taxation and retirement income arrangements
Outcome 4: Well functioning markets

Australian Bureau of Statistics
Statistician: Mr Brian Pink
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
Chairman: Mr Jeffrey Lucy AM until 12 May 2007
Mr Tony D'Aloisio from 13 May 2007
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 D'Ascenzo
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: Mr David Crawford
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

Royal Australian Mint
Chief Executive Officer: Ms Janine Murphy
Satisfy the Reserve Bank of Australia's forecast for circulated coin

AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

The agencies in the following table have Australian Government Indigenous Expenditure for the Treasury Portfolio.

Portfolio table 1: Australian Government Indigenous Expenditure

Treasury Portfolio	Appropriations				Other	Total
	Bill No. 1 $'000 (A)	Bill No. 2 $'000 (B)	Special Approp $'000 (C)	Total Approp $'000 (D)	$'000 (E)	$'000 (F)=(D)+(E)
Australian Taxation Office						
2007-08	**1,959**	**-**	**-**	**1,959**	**-**	**1,959**
2006-07	*1,953*	-	-	*1,953*	-	*1,953*
Productivity Commission						
2007-08	**729**	**-**	**-**	**729**	**-**	**729**
2006-07	*724*	-	-	*724*	-	*724*
Total AGIE 2007-08	**2,688**	**-**	**-**	**2,688**	**-**	**2,688**
Total AGIE 2006-07	*2,677*	-	-	*2,677*	-	*2,677*

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Corporations and Markets Advisory Committee **229**

Inspector-General of Taxation **247**

National Competition Council **267**

Productivity Commission **285**

Royal Australian Mint **307**