AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

There has been no significant change to the strategic direction of the Australian Prudential Regulation Authority (APRA) from that outlined in the ***Portfolio Budget Statements 2008-09*** (pages 107-108).

APRA is seeking an additional $8.3 million through Appropriation Bill (No. 3) 2008-09. This relates to an additional $9.0 million for the global financial crisis – additional funding for regulators and the Treasury measure; $0.4 million for a reversal of the 2007-08 efficiency dividend; and offset by a reduction of $1.1 million to be transferred to the Department of the Treasury as part of a reallocation of funds for Standard Business Reporting. The reallocation will have no net impact on the Budget.

There is also a reduction of $1.0 million in 2008-09 for equity injections as part of a reallocation of funds for Standard Business Reporting. The reallocation will have no net impact on the Budget.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 outlines the total resourcing available from all sources for the 2008-09 Budget year, including variations through Appropriation Bill No. 3, equity injections and special accounts.

Table 1.1: Australian Prudential Regulation Authority resource statement — additional estimates for 2008-09 as at Additional Estimates December 2008

		Estimate as at Budget +	Proposed additional estimates =	Total estimate at Additional Estimates	Total available appropriation
		2008-09	2008-09	2008-09	2007-08
		$'000	$'000	$'000	$'000
Ordinary annual services					
Departmental outputs					
Departmental outputs		5,036	8,336 [1]	13,372	2,840
Total ordinary annual services	**A**	**5,036**	**8,336**	**13,372**	**2,840**
Other services					
Departmental non-operating					
Equity injections		1,865	(965)	900	-
Total departmental non-operating		**1,865**	**(965)**	**900**	**-**
Administered non-operating					
Administered assets and liabilities		500	-	500	-
Total administered non-operating		**500**	**-**	**500**	**-**
Total other services	**B**	**2,365**	**(965)**	**1,400**	**-**
Total available annual appropriations (A + B)		**7,401**	**7,371**	**14,772**	**2,840**
Total appropriations excluding special accounts		**7,401**	**7,371**	**14,772**	**2,840**
Special accounts					
Opening balance		31,350	-	31,350	46,606
Non-appropriation receipts to special accounts		93,185	-	93,185	78,790
Total special accounts	**C**	**124,535**	**-**	**124,535**	**125,396**
Total net resourcing for APRA (A + B + C)		**131,936**	**7,371**	**139,307**	**128,236**

1. Appropriation Bill (No. 3) 2008-09.

1.3 AGENCY MEASURES TABLE

Table 1.2 summarises new Government measures taken since the 2008-09 Budget.

Table 1.2: Australian Prudential Regulation Authority 2008-09 measure since Budget

	Output Group	2008-09 $'000	2009-10 $'000	2010-11 $'000	2011-12 $'000
Expense measures					
Global financial crisis - additional funding for regulators and the Treasury					
Departmental outputs	1.1	9,000	18,500	9,000	9,000
Total measures		**9,000**	**18,500**	**9,000**	**9,000**

Note: Details of this measure appear in the *Mid-Year Economic and Fiscal Outlook 2008-09* on page 185.

1.4 ADDITIONAL ESTIMATES AND VARIATIONS

Table 1.3 details the additional estimates and variations resulting from new measures since the 2008-09 Budget in Appropriation Bill No. 3. Table 1.4 details additional estimates or variations from other variations.

Table 1.3: Additional estimates and variations to outcomes from measures since 2008-09 Budget

	Output Group impacted	2008-09 $'000	2009-10 $'000	2010-11 $'000	2011-12 $'000
Outcome 1					
Increase in estimates (departmental)					
Global financial crisis - additional funding for regulators and the Treasury	1.1	9,000	18,500	9,000	9,000
Net impact on estimates for outcome 1 (departmental)		**9,000**	**18,500**	**9,000**	**9,000**

Table 1.4: Additional estimates and variations to outcomes from other variations

	Output Group impacted	2008-09 $'000	2009-10 $'000	2010-11 $'000	2011-12 $'000
Outcome 1					
Increase in estimates (departmental)					
Reversal of 2007-08 efficiency dividend	1.1	427	-	-	-
Decrease in estimates (departmental)					
Standard Business Reporting (expense)	1.1	(1,091)	(1,330)	-	-
Standard Business Reporting (capital)	1.1	(965)	(222)	-	-
Net impact on estimates for outcome 1 (departmental)		**(1,629)**	**(1,552)**	**-**	**-**

1.5 BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

The following tables detail the additional estimates sought for APRA through Appropriation Bills No. 3 and No. 4.

Table 1.5: Appropriation Bill (No. 3) 2008-09

	2007-08 available $'000	2008-09 Budget $'000	2008-09 revised $'000	Additional estimates $'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 and efficiency, competition, contestability and competitive neutrality	2,840	5,036	13,372	8,336	-
Total	**2,840**	**5,036**	**13,372**	**8,336**	**-**

Table 1.6: Appropriation Bill (No. 4) 2008-09

	2007-08 available $'000	2008-09 Budget $'000	2008-09 revised $'000	Additional estimates $'000	Reduced estimates $'000
Non-operating					
Equity injections	-	1,865	900	-	(965)
Total non-operating	**-**	**1,865**	**900**	**-**	**(965)**

Section 2: Revisions to agency outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

There has been no change to outcomes and performance information for APRA from that included in the ***Portfolio Budget Statements 2008-09*** (pages 111-114).

Section 3: Explanatory tables and budgeted financial statements

3.1 EXPLANATORY TABLES

3.1.1 Estimates of special account flows

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 3.1.1 shows the expected additions (receipts) and reductions (payments) for each account used by APRA. The corresponding table in the ***Portfolio Budget Statements 2008-09*** is Table 3.1.3.

Table 3.1.1: Estimates of special account flows

	Outcome	Opening balance **2008-09** *2007-08* $'000	Receipts **2008-09** *2007-08* $'000	Payments **2008-09** *2007-08* $'000	Adjustments **2008-09** *2007-08* $'000	Closing balance **2008-09** *2007-08* $'000
Australian Prudential Regulation Authority Special Account	1	**31,350**	**107,957**	**108,778**	**-**	**30,529**
		46,606	*81,630*	*96,886*	*-*	*31,350*
Services for Other Entities and Trust Moneys - Australian Prudential Regulation Authority Special Account	1	**-**	**-**	**-**	**-**	**-**
		-	-	-	-	-
Lloyd's Deposit Trust Special Account	1	**2,000**	**180**	**180**	**-**	**2,000**
		2,000	*180*	*180*	*-*	*2,000*
Superannuation Protection Account	1	-	-	-	-	-
		-	-	-	-	-
Total special accounts 2008-09 Budget estimate		**33,350**	**108,137**	**108,958**	**-**	**32,529**
Total special accounts 2007-08 estimate actual		*48,606*	*81,810*	*97,066*	*-*	*33,350*

Note: Lloyd's Deposit Trust Special Account was transferred to APRA from 23 May 2008. This was previously reported by the Department of the Treasury.

3.1.2 Estimates of variations to Average Staffing Level

Changes in Average Staffing Level (ASL) are presented in the Portfolio Additional Estimates Statements at the whole of agency level to demonstrate any movements since Budget.

Table 3.1.2: Average Staffing Level

	2008-09 Budget	2008-09 Revised	Variation
Outcome 1			
To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality	570	585	15
Total	**570**	**585**	**15**

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Analysis of budgeted financial statements

Budgeted departmental income statement

The budgeted departmental income statement (refer Table 3.2.1) shows an increase in 2008-09 appropriations from $98.7 million, as disclosed in the ***Portfolio Budget Statements 2008-09,*** to $107.1 million; an $8.4 million change. The increase reflects the impacts of additional estimates, as shown in Tables 1.3 and 1.4.

$45.5 million is sought across 2008-09 and the forward estimates to meet the government's budget measure for the global financial crisis — additional funding for regulators and the Treasury.

APRA's funding to support its contribution to Standard Business Reporting (SBR) has been reduced by $1.1 million, and is fully offset by a corresponding reduction in 2008-09 related SBR expenditure.

Budgeted departmental balance sheet

The budgeted departmental balance sheet (Table 3.2.2) shows that APRA will maintain sufficient financial assets to meet all employee and supplier commitments as and when they fall due.

Continued investment in core supervisory and corporate infrastructure, coupled with investment in SBR, will see non-financial asset balances increase in 2008-09 and beyond.

Contributed equity increases over 2008-09 and 2009-10 reflect government equity injections for SBR.

Retained surpluses are budgeted to maintain general reserves at a level sufficient to accommodate unforeseen business needs which may arise from supervision of at-risk institutions.

Budgeted departmental statement of cash flows

The budget departmental statement of cash flows (Table 3.2.3) reflects the increase in 2008-09 appropriations as detailed in Tables 1.3 and 1.4.

Departmental statement of changes in equity — summary of movement

Table 3.2.4 shows the expected changes in equity between 2007-08 and 2008-09. Note that the opening 2008-09 position is some $3.4 million higher than that reflected in the ***Portfolio Budget Statements 2008-09*** reflecting asset revaluations completed in the last quarter of 2007-08.

The main item of change across 2008-09 will be the reduced equity injection related to SBR.

3.2.2 Budgeted financial statements

Departmental financial statements

Table 3.2.1: Budgeted departmental income statement (for the period ended 30 June)

	Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
INCOME					
Revenue					
Revenues from Government	81,497	104,512	115,250	105,394	105,268
Goods and services	6,478	2,495	2,495	2,495	2,495
Other	221	50	50	50	50
Total income	88,196	107,057	117,795	107,939	107,813
EXPENSE					
Employees	68,217	73,733	80,722	78,596	78,596
Suppliers	30,043	29,545	33,289	25,583	25,300
Depreciation and amortisation	3,199	3,246	3,684	3,684	3,917
Total expenses	101,459	106,524	117,695	107,863	107,813
Net surplus or (deficit) attributable to the Australian Government	(13,263)	533	100	76	-

Prepared on an Australian Accounting Standards basis.

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
ASSETS					
Financial assets					
Cash	31,350	30,529	30,126	29,710	26,319
Receivables	4,163	4,372	4,854	4,401	4,513
Accrued revenues	-	500	450	450	450
Total financial assets	35,513	35,402	35,430	34,561	31,283
Non-financial assets					
Infrastructure, plant and equipment	7,527	8,923	9,616	9,767	10,121
Intangibles	4,897	5,755	6,364	6,706	9,743
Other	1,571	1,601	1,634	1,667	1,700
Total non-financial assets	13,995	16,279	17,615	18,140	21,564
Total assets	49,508	51,680	53,045	52,701	52,846
LIABILITIES					
Provisions					
Employees	19,677	20,286	20,604	20,042	20,042
Other	1,935	1,972	2,013	2,053	2,095
Total provisions	21,612	22,258	22,618	22,095	22,136
Payables					
Suppliers	4,915	5,008	5,114	5,216	5,320
Total payables	4,915	5,008	5,114	5,216	5,320
Total liabilities	26,527	27,266	27,731	27,311	27,457
EQUITY					
Parent entity interest					
Contributed equity	3,155	4,055	4,855	4,855	4,855
Reserves	9,809	9,809	9,809	9,809	9,809
Retained surpluses or accumulated deficits	10,017	10,550	10,650	10,726	10,726
Total equity	22,981	24,414	25,314	25,390	25,390
Current assets	37,084	37,003	37,064	36,228	32,983
Non-current assets	12,424	14,678	15,981	16,473	19,863
Current liabilities	21,305	21,702	22,077	21,787	21,923
Non-current liabilities	5,222	5,564	5,654	5,524	5,534

Prepared on an Australian Accounting Standards basis.

Table 3.2.3: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	5,529	2,495	2,495	2,495	2,495
Appropriations	81,298	104,512	115,250	105,394	105,268
Other	1,242	50	50	50	50
Total cash received	88,069	107,057	117,795	107,939	107,813
Cash used					
Employees	65,638	73,733	80,722	78,596	78,596
Suppliers	32,985	29,545	33,289	25,583	25,300
Total cash used	98,623	103,278	114,011	104,179	103,896
Net cash from or (used by) operating activities	(10,554)	3,779	3,784	3,760	3,917
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	(4,722)	(5,500)	(4,987)	(4,176)	(7,308)
Net cash from or (used by) investing activities	(4,722)	(5,500)	(4,987)	(4,176)	(7,308)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	900	800	-	-
Total cash received	-	900	800	-	-
Net increase or (decrease) in cash held	(15,276)	(821)	(404)	(416)	(3,391)
Cash at the beginning of the reporting period	46,626	31,350	30,529	30,126	29,710
Cash at the end of the reporting period	31,350	30,529	30,126	29,710	26,319

Prepared on an Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget 2008-09)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	10,017	3,809	6,000	3,155	22,981
Adjusted opening balance	10,017	3,809	6,000	3,155	22,981
Income and expense					
Net operating result	533	-	-	-	533
Total income and expenses recognised directly in equity	533	-	-	-	533
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	900	900
Sub-total transactions with owners	-	-	-	900	900
Estimated closing balance as at 30 June 2009	10,550	3,809	6,000	4,055	24,414

Prepared on an Australian Accounting Standards basis.

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 3.2.5) 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 (ATO) for unclaimed moneys and lost member functions and the Australian Securities and Investments Commission (ASIC) 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 3.2.6 refers to amounts of administered income that may not have been collected at year end. The balance at 30 June 2008 reflected disputed levies which have subsequently been resolved and collected.

Schedule of budgeted administered cash flows

As indicated in the schedule of budgeted administered cash flows (Table 3.2.7), the cash collected is swept daily from the APRA account to the Official Public Account, from which APRA, in turn, draws down the amounts appropriated to it by the Parliament, and applies these as shown in Table 3.2.3.

APRA does not administer any non financial assets on behalf of the government.

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	103,760	125,512	135,150	125,294	125,168
Total income administered on behalf of Government	103,760	125,512	135,150	125,294	125,168
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Waivers and write-offs	195	500	500	500	500
Total expenses administered on behalf of Government	195	500	500	500	500

Prepared on an Australian Accounting Standards basis.

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	838	150	150	150	150
Total financial assets	838	150	150	150	150
Total assets administered on behalf of Government	838	150	150	150	150

Prepared on an Australian Accounting Standards basis.

Table 3.2.7: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
OPERATING ACTIVITIES					
Cash or equivalents received					
Transfer from Official Public Account	682	500	500	500	500
Administered Revenue	103,760	125,512	135,150	125,294	125,168
Total cash or equivalents received	104,442	126,012	135,650	125,794	125,668
Cash or equivalents used					
Cash to Official Public Account	104,691	125,512	135,150	125,294	125,168
Administered Expenses	195	500	500	500	500
Total cash or equivalents used	104,886	126,012	135,650	125,794	125,668
Net cash or equivalents from or (used by) operating activities	(444)	-	-	-	-
Net increase or (decrease) in cash or equivalents held	(444)	-	-	-	-
Cash or equivalents at beginning of reporting period	1,281	837	837	837	837
Cash or equivalents at end of reporting period	837	837	837	837	837
Net cash from or (used by) investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash used					
Cash to Official Public Account	(102,023)	(106,190)	(106,204)	(107,459)	(106,117)
Net cash from or (used by) financing activities	(102,023)	(106,190)	(106,204)	(107,459)	(106,117)

Prepared on an Australian Accounting Standards basis.

Notes to the financial statements

Basis of accounting

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

Departmental

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 ASIC for consumer protection and market integrity functions, and the ATO, for unclaimed moneys 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.

Note that current period reported revenue may include amounts for past years' levies and penalties as legislative restrictions require the lodgement of annual returns by institutions to APRA before billing can occur.

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

Receivables include levies invoiced but still outstanding at the financial year end and accrued revenues, being 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 works 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

Contributed equity of $3.1 million at 30 June 2008 represented 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. Contributed equity is planned to increase by $0.9 million in 2008-09 and $0.8 million in 2009-10 reflecting capital injections related to SBR (Table 3.2.4).

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 industry fees and charges and government funding of special measures.

Administered

Schedule of budgeted revenues and expenses administered on behalf of Government

Revenues

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 reflecting the amount retained in the Official Public Account to fund ASIC and ATO activities described above.

Note that current period reported revenue may include amounts for past years' levies and penalties as legislative restrictions require the lodgement of annual returns by institutions to APRA before billing can occur.

Expenses

Actual waivers and write-offs are the net position after adjusting for movements in doubtful debt provisions.

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.