

DEPARTMENT OF THE TREASURY

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DEPARTMENT OF THE TREASURY

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The mission of the Department of the Treasury (the Treasury) is to improve the wellbeing of the Australian people by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury ministers in the administration of their responsibilities and the implementation of government decisions.

In carrying out its mission, the Treasury has responsibility for the following policy outcomes:

- sound macroeconomic environment;
- effective government spending arrangements;
- effective taxation and retirement income arrangements; and
- well functioning markets.

As a central policy agency, the Treasury is expected to anticipate and analyse policy issues with a broad whole-of-government perspective, understand government and stakeholder circumstances, and respond rapidly to changing events and directions. As such, the Treasury's interests are broad and diverse.

Key priorities over the coming year include implementing the Government's election and budget commitments; continuing work on the Government's Council of Australian Governments (COAG) reform agenda; delivering the Government's comprehensive review of Australia's tax system; continuing to provide sound policy advice on macroeconomic management and microeconomic reform; and promoting strategic responses to the significant challenges facing the Australian economy. The Treasury's ongoing program of international engagement will be central in building capacity in Australia's economic region, assisting in monitoring international developments which will affect the Australian economy and promoting regional macroeconomic stability.

Australia's strong economic growth momentum has been crucial to weathering the current turbulence in world financial markets; however, this growth also has presented challenges. A tight labour market, strong domestic demand and growing overseas

demand for resources have contributed to building inflationary pressures within the domestic economy.

In responding to these challenges, the Government has formulated a five-point plan to fight inflation. The plan encompasses a conservative fiscal target, addresses skills and infrastructure capacity constraints in the economy, encourages private saving and aims to lift workforce participation.

Careful fiscal management, a key component of the Government's plan, is central to the Treasury's fiscal policy advice. Fiscal strategy advice takes into account medium term, as well as budget, priorities, debt and balance sheet management. It includes advising on the Future Fund's operation, implementing the new Funds announced in the Budget and contributing to the Review of Government Spending.

An important component of the Government's fiscal policy is the revenue collection system and its impact on incentives for all Australians to work, save and invest. The Treasury will assist the Government's review of Australia's tax system to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and enhance Australia's economic and social outcomes.

The Treasury also will undertake other important reforms to the Government's revenue collection system. In particular, it will lead implementation of the outcomes of the Tax Design Review Panel, streamlining and enhancing the mechanisms by which tax laws are amended.

Positioning Australia's economy to deliver the best possible outcomes for Australians will require ongoing commitment to key microeconomic policy objectives.

Central to this policy development will be implementing the broad reform agenda in partnership with the States and Territories. In December 2007, COAG announced a reform agenda addressing issues in health and ageing, productivity, climate change and water, infrastructure, business regulation and competition, housing and Indigenous reform.

Reforms to the architecture of Commonwealth-State financial relations underpin this program. The Treasury, with the Department of the Prime Minister and Cabinet, provides leadership and policy expertise to deliver the reform agenda according to key milestones, including implementing the new financial framework starting on 1 January 2009.

Housing affordability is important in the COAG reform agenda. The Treasury will help implement major initiatives combining government contributions and lower taxes for first home buyers saving for first home deposits.

The First Home Saver Accounts will complement other important government initiatives to improve housing affordability. The Government also will implement a National Rental Affordability Scheme to encourage investors to provide new and affordable housing at below-market rent.

Australia's transition to a less carbon-intensive economy will present major economic challenges. The Government is committed to implementing market-based mechanisms to reduce Australia's carbon footprint at the lowest possible cost to the economy. The Treasury will continue to provide advice on these issues in 2008-09. This includes modelling climate change policy, contributing to the design of an Emissions Trading System for implementation by 2010, and also to the design of a system of Mandatory Renewable Energy Targets by 2020.

The Treasury is mindful of the need to ensure a high degree of competition in Australian markets for consumer products. In addition, the Treasury will work to ensure the banking sector is competitive and continues to deliver benefits to Australian consumers.

Recent events in global financial markets have highlighted the need for sound financial sector regulation. Australia's robust regulatory framework and institutions have helped Australia weather the fallout from disruptions to global credit markets. However, the Australian financial system must remain dynamic and responsive, and regulation must be well targeted and not overly burdensome or restrictive.

The Treasury will implement new financial disclosure arrangements to safeguard investor interests. This will help Australians be confident about their financial system and the regulatory environment's efficiency and preparedness for future challenges.

International financial market developments have created an uncertain global economic outlook. Slowing of the US economy poses a number of downside risks which must be balanced against the significant economic growth of India and China.

The Treasury continues to monitor and assess global economic conditions, and provides advice to achieve sustained growth, openness and sound governance in the global economy. This international engagement is crucial to advance Australia's economic interests as it helps maintain macroeconomic stability, meet the challenges of inflation and respond to tight labour markets.

The Treasury will continue to promote Australia's interests through international financial institutions and forums. It also will continue to engage bilaterally with a range of countries to improve economic governance in the Pacific, and develop deeper economic engagement with China and India, reflecting these countries growing importance.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. It summarises how resources will be applied by outcome and by administered and departmental classifications.

Table 1.1: Department of the Treasury resource statement — Budget estimates for 2008-09 as at Budget May 2008

	Estimate of prior year ⁺ amounts available in 2008-09 \$'000	Proposed at Budget ⁼ 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Ordinary annual services				
Departmental outputs				
Departmental outputs	71,450 ⁴	146,446 ¹	217,896	150,844
Receipts from other sources (s31)	-	10,818 ³	10,818	11,144
Total departmental outputs	71,450	157,264	228,714	161,988
Administered expenses				
Outcome 4 - Housing Loan Insurance Company Limited - payments in respect of insurance claims	-	5,000 ¹	5,000	5,000
Total administered expenses	-	5,000	5,000	5,000
Total ordinary annual services A	71,450	162,264	233,714	166,988
Other services				
Departmental non-operating				
Equity injections	-	9,541 ²	9,541	8,978
Previous years' outputs	-	-	-	1,820
Total departmental non-operating	-	9,541	9,541	10,798
Administered expenses				
Outcome 2 - Additional First Home Owners Scheme	-	2,413 ²	2,413	-
Outcome 2 - Crude oil excise - condensate	-	72,300 ²	72,300	80,000
Outcome 4 - Standard Business Reporting - payments to State Revenue Offices	-	7,120 ²	7,120	3,240
Outcome 4 - Compensation - companies regulation	-	-	-	173,868
Total administered expenses	-	81,833	81,833	257,108
Administered non-operating				
Administered Assets and Liabilities				
Subscriptions to international financial institutions	-	3,053 ²	3,053	3,654
Payments in relation to the HH Assistance Scheme	-	76,791 ²	76,791	50,119
Total administered non-operating	-	79,844	79,844	53,773
Total other services B	-	171,218	171,218	321,679
Total available annual appropriations (A + B)	71,450	333,482	404,932	488,667

Table 1.1: Department of the Treasury resource statement — Budget estimates for 2008-09 as at Budget May 2008 (continued)

	Estimate of prior year ⁺ amounts available in 2008-09 \$'000	Proposed at Budget ⁼ 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Special appropriations				
<i>International Monetary Agreements Act 1947</i>	-	21,816	21,816	31,050
<i>A New Tax System (Commonwealth- State Financial Arrangements) Act 1999</i>	-	45,280,000	45,280,000	42,673,196
<i>Appropriation (HIH Assistance) Act 2001</i>	-	-	-	11,017
Total special appropriations	C -	45,301,816	45,301,816	42,715,263
Total appropriations (A + B + C)	71,450	45,635,298	45,706,748	43,203,930
Special accounts⁵				
Opening balance	3,580	-	3,580	3,580
Non-appropriation receipts to special accounts	-	1,809	1,809	1,809
Total special accounts	D 3,580	1,809	5,389	5,389
Total resourcing (A + B + C + D)	75,030	45,637,107	45,712,137	43,209,319
Less receipts from other sources credited to special accounts	-	1,809	1,809	1,809
Total net resourcing for the Treasury	75,030	45,635,298	45,710,328	43,207,510

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

2. Appropriation Bill (No. 2) 2008-09.

3. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

4. Estimated adjusted balance carried forward from previous year for annual appropriations.

5. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.3.

1.3 BUDGET MEASURES

Budget Paper No. 2, *Budget Measures 2008-09*, details budget measures relating to the Treasury. Table 1.2 provides a summary of government measures and identifies the relevant output groups associated with each measure.

Table 1.2: Department of the Treasury 2008-09 Budget measures

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Revenue measures (related expense)						
Albatrosses and Petrels						
Conservation Secretariat - tax relief	2.1	-	..	..	..	..
Crude oil excise - condensate	2.1	80,000	72,300	84,100	85,100	85,100
Excise and customs duty - increased rates on 'other excisable beverages'	2.1	8,700	57,100	64,000	71,600	80,100
Fringe benefits tax - exemption for eligible work-related items	2.1	-	5,000	20,000	45,000	50,000
Fringe benefits tax - meal cards	2.1	-	15,000	30,000	35,000	40,000
GST - relief for charities	2.1	*	*	*	*	*
GST and international telecommunications - mobile telephone global roaming						
	2.1	-	-	-	-	-
GST and the sale of real property - integrity measure	2.1	-	90,000	150,000	175,000	205,000
GST and the sale of real property - not to proceed with previously announced deferred integrity measure	2.1	*	*	*	*	*
Indirect tax - refund restrictions and four year amendment period	2.1	-	*	*	*	*
PAYG annual instalments - deferring the 2007-08 Budget measure	2.1	-	35,000	(30,000)	-	-
Political donations - removing tax deductibility	2.1	-	-	-	-	-
Tourist refund scheme - not to proceed with private provider proposal	2.1	61,000	55,000	57,000	60,000	62,000
Total revenue measures (related expense)						
Administered expenses		149,700	329,400	375,100	471,700	522,200

Table 1.2: Department of the Treasury 2008-09 Budget measures (continued)

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Expense measures						
Council of Australian Governments - additional resources to support the COAG reform agenda						
Departmental outputs	All	-	3,112	3,144	1,618	1,627
Humanitarian migration program - additional 500 places for Iraqis in 2008-09						
Administered expenses	2.1	-	800	800	800	900
Humanitarian migration program - additional 750 Special Humanitarian Program places from 2009-10						
Administered expenses	2.1	-	-	1,300	2,500	3,900
Migration Program - 37,500 place increase for 2008-09						
Administered expenses	2.1	-	94,600	195,300	303,600	419,700
Migration Program - additional 6,000 skill stream places for 2007-08						
Administered expenses	2.1	-	17,600	18,100	18,800	19,500
Responsible Economic Management - Goods and services tax compensation to the States for small business concession - recovery of overpayments						
Administered expenses	2.1	-	(286,000)	10,000	10,000	10,000
Visa places for Iraqi locally engaged employees						
Administered expenses	2.1	-	900	1,000	1,000	1,100
Australia's Future Tax System						
Departmental outputs	3.1	-	5,000	5,000	-	-
Responsible Economic Management - Corporations Payments to the States - termination						
Administered expenses	4.1	-	(179,780)	(184,273)	(188,880)	(193,603)
Total expense measures						
Administered expenses		-	(351,880)	42,227	147,820	261,497
Departmental outputs		-	8,112	8,144	1,618	1,627

.. Not zero, but rounded to zero.

* The nature of this measure is such that a reliable estimate cannot be provided.

Prepared on a Government Finance Statistics basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Government requires agencies to measure their intended and actual performance by outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community.

Each of the Treasury's outcomes is described by output groups, with performance indicators and targets used to assess and monitor the Treasury's performance in achieving government outcomes.

2.1.1 Outcome 1: 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 employment growth and a sustainable external position.

As many influences on macroeconomic outcomes are beyond the Government's control, policy aims to improve prospects for the Australian economy rather than target specific outcomes or major economic indicators. Success is more about improving Australia's medium to long-term performance compared to its past and compared to other countries than the results of any one year.

Outcome 1 strategy

The Treasury contributes to a sound macroeconomic environment by providing high quality macroeconomic policy advice to the Treasurer, based on careful monitoring and analysis of economic conditions in Australia and overseas.

The Treasury also provides advice to the Government on a range of international policy challenges, including strengthening multilateral regimes underpinning open trade and capital flows, supporting developing countries development aspirations, and shaping the evolution of regional economic architecture.

In 2008-09, the Treasury will provide advice on:

- domestic and international developments affecting the Australian economy and forecasts of the direction of the Australian and international economies;
- the setting of sound macroeconomic policies;
- housing affordability, as part of the Treasury and Department of the Prime Minister and Cabinet's leadership role in delivering the COAG Reform Agenda;

- policies likely to improve Australia's economic growth potential and wellbeing, including improved understanding of the impact of changes in workforce participation and productivity on future growth and fiscal pressures;
- work with others to reform, strengthen and modernise key international forums (including the World Bank, International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), and Asian Development Bank (ADB));
- the Treasury's key role in shaping the Group of Twenty (G-20), the Asia Pacific Economic Cooperation (APEC) forum , and the East Asia Summit process;
- deeper economic engagement strategies with China and India, reflecting the importance of these countries in the international economy, and building on already close links with policy makers in other key East Asian countries, including Japan and Indonesia;
- the work with Indonesian Government counterparts in support of their reform efforts under the \$50 million Government Partnerships Fund, a key component of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development;
- the lead role the Treasury can play in government initiatives to develop well functioning economic ministries in the Pacific, particularly in Papua New Guinea, Solomon Islands and Nauru, and advising Treasury ministers in various Pacific Ministerial Forums; and
- high quality, strategic policy support to selected countries in the Asia-Pacific region.

Outcome 1 resource statement

Table 2.1.1 details budget appropriations and the total resourcing for outcome 1.

Table 2.1.1: Total resources for outcome 1

Outcome 1: Sound macroeconomic environment	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 1.1 - Macroeconomic Group		
Departmental outputs		
Output 1.1.1 - Domestic economic policy advice and forecasting	9,831	9,486
Output 1.1.2 - International economic policy advice and assessment	17,489	19,193
Receipts from other sources (s31)	5,943	5,854
Special appropriations		
<i>International Monetary Agreements Act 1947</i>	21,816	31,050
Total resources for outcome 1	55,079	65,583

	2008-09	2007-08
Average staffing level (number)	192	206

Note: Departmental splits, by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 1

Output group 1.1 — Macroeconomic Group
Components of output group 1.1 are: Special appropriation — <i>International Monetary Agreements Act 1947</i>. - Payments are made under the <i>International Monetary Agreements Act 1947</i> to promote international monetary cooperation, exchange stability and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease the balance of payments adjustment. Administered item — subscriptions to international financial institutions. - Payments are made to facilitate the achievement of government objectives in international forums, including strengthening the international financial system, multilateral debt relief and institutional reform in multilateral development banks. Timely and accurate financial transactions with international financial institutions are made with due regard to minimising cost and risk for Australia. Output 1.1.1 — Domestic economic policy advice and forecasting; and Output 1.1.2 — International economic policy advice and assessment.

Contributions to outcome 1 (continued)

Output group 1.1 — Macroeconomic Group (continued)	
Key performance indicators	2008-09 target
Advice meets the Government's needs in administering its responsibilities and making and implementing government decisions that contribute to a sound macroeconomic environment and relate to international economic and financial issues. The degree of client satisfaction with the quality and timeliness of the advice provided will be assessed through formal and informal feedback mechanisms.	Policy advice is timely and high quality, and based on a deep understanding of issues and a whole-of-government and whole-of-economy perspective. It is influential in the Government's decision making and longer term strategies on macroeconomic policy and international economic issues.
Effective presentation of budget documents and other publications adequately informs public debate.	Budget and Mid-Year Economic and Fiscal Outlook documentation and the quarterly publication of the Economic Roundup are timely and high quality.
Progress made on the COAG Reform Agenda meets the expectations of the Commonwealth and States agreed at the December 2007, March 2008 and subsequent meetings.	Leadership and policy expertise meets the targets established by COAG at its quarterly meetings for the COAG Working Group on housing.
Effective participation in international forums and bilateral dialogue supports the achievement of government objectives.	Representation by Treasury officials at the IMF, World Bank, OECD, ADB, G-20 and APEC meetings is influential.
Advice to Ministers is effective in improving economic governance and policies and building capacity in Papua New Guinea, Solomon Islands and Nauru.	Advice to Treasury Ministers on Pacific issues is timely and influential.
Support is effective for Pacific programs — the Strongim Gavman Program in Papua New Guinea, Regional Assistance Mission to Solomon Islands and Economic Advice and Governance Assistance Program in Nauru.	Assessment that relevant components meet/exceed satisfactory ratings as assessed under performance evaluation systems (for example, Australian Agency for International Development (AusAID) implementation quality system).
Payment of subscriptions to international financial institutions, including the IMF is timely and accurate.	Financial transactions with the international financial institutions, including the IMF, are timely and accurate and made with due regard to minimising cost and risk for Australia.

2.1.2 Outcome 2: Effective government spending arrangements

Effective government spending arrangements contribute to the overall fiscal outcome, influence strong sustainable economic growth and improve the wellbeing of Australians.

Effective spending measures should meet their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs.

The Treasury provides policy advice to portfolio ministers to promote government decisions that further these objectives.

Outcome 2 strategy

The Treasury takes a whole-of-government and whole-of-economy perspective in developing its advice on the fiscal strategy and spending arrangements across and within portfolios.

In 2008-09, the Treasury will provide advice on:

- the fiscal strategy, including for the medium-term, and on budget priorities, debt and balance sheet management consistent with the fiscal strategy. This includes advising on the operation of the Future Fund, implementing the new Funds announced in the Budget, and contributing to the Review of Government Spending;
- the Commonwealth Budget and related financial papers;
- leadership and policy expertise to deliver the COAG Reform Agenda agreed in December 2007. For outcome 2, this will be undertaken more particularly with respect to the agendas for the Working Groups on health and ageing, productivity, climate change and water, and Indigenous reform;
- leadership and policy expertise to enable Commonwealth and State Treasurers to finalise a new Intergovernmental Agreement on Commonwealth-State financial arrangements on the basis agreed by COAG on 26 March 2008; and
- market mechanisms and frameworks to achieve environmental outcomes, including modelling climate change, and contributing to the design of an Emissions Trading System, for implementation by 2010 and a system of Mandatory Renewable Energy Targets by 2020.

Outcome 2 resource statement

Table 2.1.2 details budget appropriations and the total resourcing for outcome 2.

Table 2.1.2: Total resources for outcome 2

Outcome 2: Effective government spending arrangements	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 2.1 - Fiscal Group		
Departmental outputs		
Output 2.1.1 - Budget policy advice and coordination	4,058	3,999
Output 2.1.2 - Commonwealth-State financial policy advice	3,017	2,942
Output 2.1.3 - Industry, environment and defence policy advice	8,719	8,313
Output 2.1.4 - Social and income support policy advice	5,562	4,827
Receipts from other sources (s31)	275	251
Administered items		
Additional First Home Owners Scheme	2,413	-
Crude oil excise - condensate	72,300	80,000
Special appropriations		
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	45,280,000	42,673,196
Total resources for outcome 2	45,376,344	42,773,528

	2008-09	2007-08
Average staffing level (number)	154	137

Note: Departmental splits, by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 2

Output group 2.1 — Fiscal Group
Components of output group 2.1 are: Administered item — Additional First Home Owners Scheme. - The Australian Government is funding an additional First Home Owners Scheme. Grants continue to be paid to eligible applicants due to the time needed to complete construction and the period allowed to lodge an application, once construction is complete. Administered item — crude oil excise — condensate. - The Australian Government will provide the Western Australian Government with ongoing compensation for the loss of shared offshore petroleum royalty revenue as a result of the imposition of crude oil excise on condensate.

Contributions to outcome 2 (continued)

Output group 2.1 — Fiscal Group (continued)	
Special appropriation — <i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>. GST revenue is paid to the States and Territories under <i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>. Output 2.1.1 — Budget policy advice and coordination; Output 2.1.2 — Commonwealth-State financial policy advice; Output 2.1.3 — Industry, environment and defence policy advice; and Output 2.1.4 — Social and income support policy advice.	
Key performance indicators	2008-09 target
Advice meets the Government's needs in administering its responsibilities and making and implementing government decisions on fiscal and budget strategy and spending arrangements, including its longer term strategies. The degree of client satisfaction with the quality and timeliness of the advice provided will be assessed through formal and informal feedback mechanisms.	Policy advice is timely and high quality, and based on a deep understanding of issues and a whole-of-government and whole-of-economy perspective. It is influential in the Government's decision making and longer term strategies on fiscal and budget strategy, and spending arrangements.
Timely, high quality, accurate and transparent Budget reports, Mid-Year Economic and Fiscal Outlook and Final Budget Outcome documents meet the Government's expectations. The budget preparation and coordination process is subject to an annual evaluation.	Budget, Mid-Year Economic and Fiscal Outlook and Final Budget Outcome documentation is timely and high quality.
Progress made on the COAG Reform Agenda meets the expectations of the Commonwealth and States agreed at the December 2007, March 2008 and subsequent meetings.	Leadership and policy expertise meets the targets established by COAG at its quarterly meetings for COAG Working Groups on health and ageing, productivity, climate change and water, and Indigenous reform. Leadership and policy expertise enables COAG to finalise the architecture of Commonwealth-State financial relations.
Advice meets the Government's needs in making and implementing government decisions on environmental issues. The degree of client satisfaction with the quality and timeliness of the advice provided will be assessed through formal and informal feedback mechanisms.	Contribution to the Garnaut Climate Change Review, including through provision of climate change modelling, to be finalised in September 2008. Work influentially with other Commonwealth and State agencies on the design and implementation of an Emissions Trading System and a system of Mandatory Renewable Energy Targets.

Contributions to outcome 2 (continued)

Output group 2.1 — Fiscal Group (continued)	
Key performance indicators	2008-09 target
For the administered and special appropriation items, accurate calculation of payments to State and Territory Governments are made according to the agreed formulae.	Payments to State and Territory Governments are made according to agreed schedules.

2.1.3 Outcome 3: Effective taxation and retirement income arrangements

Effective taxation and retirement income arrangements contribute to the overall fiscal outcome and influence strong sustainable economic growth and the improved wellbeing of Australians.

Tax 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, tax measures contribute to wellbeing, either directly or by providing the revenue base to finance government services.

The Treasury provides policy advice to government to promote government decisions that further these objectives.

Outcome 3 strategy

The Treasury takes a whole-of-government and whole-of-economy perspective in developing its tax and retirement income policies.

In 2008-09, the Treasury will provide advice on:

- implementation of government election commitments, including introducing an education tax refund and first home saver accounts, and establishing an optional superannuation clearing house facility;
- the Government's comprehensive review of Australia's tax system;
- progress of the National Reform Agenda agreed to by COAG, in particular with respect to the housing, water, business regulation and competition working groups;
- development of quantitative modelling to identify the labour force participation effects of government policy proposals, including tax changes;
- obligations under the *Charter of Budget Honesty Act 1998*;

- review and renegotiation of tax treaties with key investment partners, tax information exchange agreements with offshore financial centres, Australia's contribution to the tax policy work of the OECD and the program of reform of Australia's international tax arrangements; and
- processes and outputs in developing advice on tax and retirement income policies (including implementing the outcomes of the review by the Tax Design Review Panel into ways to streamline and enhance tax law changes).

Outcome 3 resource statement

Table 2.1.3 details budget appropriations and the total resourcing for outcome 3.

Table 2.1.3: Total resources for outcome 3

Outcome 3: Effective taxation and retirement income arrangements	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 3.1 - Revenue Group		
Departmental outputs		
Output 3.1.1 - Taxation policy and legislation advice	34,776	30,652
Output 3.1.2 - Retirement income and saving policy and legislation advice	12,204	11,556
Receipts from other sources (s31)	590	563
Total resources for outcome 3	47,570	42,771

	2008-09	2007-08
Average staffing level (number)	307	287

Note: Departmental splits, by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 3

Output group 3.1 — Revenue Group	
Components of output group 3.1 are: Output 3.1.1 — Taxation policy and legislation advice; and Output 3.1.2 — Retirement income and saving policy and legislation advice.	
Key performance indicators	2008-09 target
Advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on tax policy and legislation and on retirement income and savings policy and legislation. The degree of client satisfaction with the quality and timeliness of the advice provided will be assessed through formal and informal feedback mechanisms.	Policy advice is timely, and high quality to enable the Government to make informed decisions on tax policy and legislation and on retirement income and savings policy and legislation. Advice includes business, personal, international and indirect taxation and involves extensive consultation. It is influential in the Government's decision making and longer term strategies.

Contributions to outcome 3 (continued)

Output group 3.1 — Revenue Group (continued)	
Key performance indicators	2008-09 target
Effective presentation of relevant information, including budget documentation and other publications, adequately informs public debate.	Documentation is timely and high quality. Budget publications are available free on the Internet. Widespread access to documents helps keep the public informed.
Tax, retirement income and savings policy law is developed in accordance with the principles of good law design.	An increasing number of tax and superannuation measures will be designed using a principles-based approach. On a majority of measures, stakeholders will be consulted. At least one post-implementation review will be undertaken annually to ascertain, among other things, how to improve the law development process.
Legislation is delivered according to government priorities.	Budget and other announcements on tax, retirement income and savings policy are implemented. The majority of prospective tax and retirement income legislation will be ready to introduce into Parliament within twelve months of the Government announcing it. The majority of retrospective legislation will be ready to introduce into Parliament within six months of the Government announcing it. Revenue Group will put in place arrangements to ensure legislation is delivered according to government priorities.

2.1.4 Outcome 4: Well functioning markets

Well functioning markets contribute to improving national productivity and promoting stronger economic growth, which enhances the living standards of all Australians.

Well functioning markets enable the most efficient use of resources and maximises consumer confidence in markets, thereby enhancing community benefits from economic activity.

Outcome 4 strategy

The Treasury provides advice on policies that promote competitive, efficient markets and that work to enhance consumer wellbeing, a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest.

In 2008-09, the Treasury will provide advice on:

- measures to promote competition in the financial system including strategies to enhance consumers' ability to switch between banking providers, and to enhance disclosure of penalty fees;
- major projects on financial services reform, including simplifying product disclosure and transferring responsibility from the States and Territories to the Commonwealth for the regulation of mortgages, margin loans and trustee corporations;
- a facility to rationalise financial products and progress policy projects on director liability, corporate responsibility and corporate reporting;
- reforms to strengthen financial system stability, expansion of Australia's export of financial services, promotion of competition in banking, superannuation and insurance, improved payment systems and ongoing access and affordability issues in insurance;
- international cooperation in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency including developing further regulatory recognition and cooperation with, in particular, the United States and New Zealand;
- the reform agenda for competition policy, including implementing criminal offences for serious cartel conduct;
- implementation of the COAG reform agenda (particularly competition and regulatory reform) and microeconomic reforms in key infrastructure markets such as energy, transport and communications;
- the Government's response to the Productivity Commission's review of the Australian consumer policy framework and reforms delivering a nationally harmonised consumer product safety system;
- Australia's foreign investment policy, including advice on reforms to the existing framework, as well as international investment and trade policy issues. In providing advice on the design and administration of Australia's foreign investment framework, the Treasury will improve the efficiency and effectiveness of existing regulation by providing advice on the appropriateness of existing legislative and policy provisions, as well as on operational processes for the handling of individual foreign investment applications;

- work with the Foreign Investment Review Board and other stakeholders to ensure foreign investment analysis and advice to the Government is appropriately coordinated, particularly in relation to major foreign investment proposals that have potential significance for Australia's national interest; and
- representation of Australia's interests on investment issues in negotiating free trade agreements and in multilateral forums such as the OECD and APEC. This includes promoting the OECD Guidelines for Multinational Enterprises to businesses operating in and out of Australia. The Treasury will participate in specific work aimed at improving investment climates in the Asia-Pacific region.

The Treasury will also:

- continue to provide services to support a range of portfolio bodies. This work includes providing secretariat services and, in some cases, maintaining day-to-day operations;
- serve as the lead agency for Standard Business Reporting which will simplify and reduce the burden of business-to-government financial reporting; and
- support the operations of the Australian Government Actuary.

Outcome 4 resource statement

Table 2.1.4 details Budget appropriations and the total resourcing for outcome 4.

Table 2.1.4: Total resources for outcome 4

Outcome 4: Well functioning markets	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 4.1 - Markets Group		
Departmental outputs		
Output 4.1.1 - Foreign investment and trade policy advice and administration	5,592	5,506
Output 4.1.2 - Financial system and corporate governance policy advice	38,198	35,383
Output 4.1.3 - Competition and consumer policy advice	7,000	18,986
Output 4.1.4 - Actuarial services	-	-
Receipts from other sources (s31)	4,010	4,476
Administered items		
Housing Loan Insurance Company Limited - payments in respect of insurance claims	5,000	5,000
Standard Business Reporting - payments to State Revenue Offices	7,120	3,240
Special accounts		
Actuarial Services Special Account		
Opening Balance	1,580	1,580
Non-appropriation receipts to special accounts	1,629	1,629
Lloyd's Deposit Trust Special Account		
Opening Balance	2,000	2,000
Non-appropriation receipts to special accounts	180	180
Total resources for outcome 4	72,309	77,980

	2008-09	2007-08
Average staffing level (number)	267	290

Note: Departmental splits, by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 4

Output group 4.1 — Markets Group	
Components of output group 4.1 are: Administered item — Housing Loans Insurance Company Limited — payments in respect of insurance claims. - The Housing Loans Insurance Company Limited pre-transfer contract portfolio will be managed to ensure all liabilities arising from claims under this portfolio are met and any related debts are recovered. Administered item — Standard Business Reporting — payments to State Revenue Offices. - Payments are made to facilitate inter-governmental input to Standard Business Reporting which will simplify and reduce the burden of business-to-government reporting. Administered item — HIH Claims Support Scheme — payment of assistance. - The HIH Claims Support Scheme (HCSS) will focus on finalising remaining claims and payment of assistance to wind up the claims portfolio. Output 4.1.1 — Foreign investment and trade policy advice and administration; Output 4.1.2 — Financial system and corporate governance policy advice; Output 4.1.3 — Competition and consumer policy advice; and Output 4.1.4 — Actuarial services.	
Key performance indicators	2008-09 target
Advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on policy that supports well functioning markets. The degree of client satisfaction with the quality and timeliness of the advice provided will be assessed through formal and informal feedback mechanisms.	Policy advice is timely and high quality, and based on a deep understanding of issues and a whole-of-government and whole-of-economy perspective to enable the Government to make informed decisions that support well functioning markets. It is influential in the Government's decision making and longer term strategies.
Effective presentation of relevant information, including publications, adequately informs public debate.	Documentation is timely and high quality. Markets Group's publications are available free on the Internet. Widespread access to documents helps stakeholders to keep informed on issues relating to well functioning markets.
Progress made on the COAG Reform Agenda meets the expectations of the Commonwealth and States agreed at the December 2007, March 2008 and subsequent meetings.	Leadership and policy expertise meets the targets established by COAG at its quarterly meetings for each COAG Working Group.
Statutory and other procedural, administrative and reporting requirements are met.	All statutory, procedural and administrative requirements are met on time and in full.
Secretariat and executive services provided to advisory and external bodies are effective.	Services provided meet the reasonable expectations of the advisory and external bodies.

Contributions to outcome 4 (continued)

Output group 4.1 — Markets Group (continued)	
Key performance indicators	2008-09 target
Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies is effective.	Agencies, organisations and bodies have a better understanding of the requirements for a well functioning financial system, sound corporate practices and financial reporting and effective regulation for corporations and financial services.
Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums.	The community understands and complies with Australia's foreign investment policy framework, as evidenced by the maintenance of a low level of Interim and Final Orders or prosecution actions.
Treasury implements Australia's foreign investment policy framework efficiently and effectively.	Most foreign investment proposals are decided within 30 days of lodgement.
Efficient provision of high quality actuarial services with income from consultancy fees relative to total costs meeting specified quantitative criteria.	The financial position of the Australian Government Actuary special account at 30 June 2009 is sound.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of the Treasury's finances for 2008-09. It explains how budget plans are incorporated into the financial statements and details the reconciliation between the agency and outcome resource statements, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation to the Treasury from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at budget. As the Treasury incurs and is funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to the Treasury is unlikely to be fully utilised in the budget year. The difference between the agency resource statements and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009-10 budget year, including amounts related to meeting future obligations to maintain the Treasury's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	\$'000
Total available departmental operating appropriation (outputs)	228,714
Less estimated payments in 2008-09	158,810
Estimated departmental outputs carried forward and available for 2009-10	69,904

3.1.2 Movement of administered funds between years

Table 3.1.2: Movement of administered funds between years

The Treasury has not moved any administered funds between years.

3.1.3 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by the Treasury.

Table 3.1.3: Estimates of special account cash flows and balances

		Opening balance 2008-09 2007-08	Receipts 2008-09 2007-08	Payments 2008-09 2007-08	Adjustments 2008-09 2007-08	Closing balance 2008-09 2007-08
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Actuarial Services Special Account	4	1,580 1,580	1,629 1,629	1,629 1,629	- -	1,580 1,580
Lloyd's Deposit Trust Special Account	4	2,000 2,000	180 180	180 180	- -	2,000 2,000
Other Trust Moneys Account	All	- -	- -	- -	- -	- -
Services for other Governments and Non-Agency Bodies Account	All	- -	- -	- -	- -	- -
Total special accounts						
2008-09 Budget estimate		3,580	1,809	1,809	-	3,580
Total special accounts						
2007-08 estimate actual		3,580	1,809	1,809	-	3,580

3.1.4 Australian Government Indigenous Expenditure

Table 3.1.4: Australian Government Indigenous Expenditure

The Treasury does not have any Australian Government Indigenous Expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There are no material differences between the resource information presented in the Budget Papers and Portfolio Budget Statements as a result of differences between Australian Accounting Standards and Government Finance Statistics.

3.2.2 Analysis of budgeted financial statements

The Treasury is budgeting towards a departmental breakeven operating result for 2008-09.

The Treasury has a sound financial position and currently has sufficient cash reserves to fund provisions and payables, and asset replacement, as they fall due.

3.2.3 Budgeted financial statements tables

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

	Estimated 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	150,844	146,446	150,557	137,768	135,866
Goods and services	10,496	10,169	10,072	9,729	9,894
Other	250	250	249	250	250
Total revenue	161,590	156,865	160,878	147,747	146,010
Gains					
Other	398	399	400	400	400
Total gains	398	399	400	400	400
Total income	161,988	157,264	161,278	148,147	146,410
EXPENSE					
Employees	101,675	102,076	102,607	98,552	98,673
Suppliers	49,502	50,675	50,345	39,964	38,143
Depreciation and amortisation	3,653	4,355	8,168	9,473	9,436
Finance costs	158	158	158	158	158
Total expenses	154,988	157,264	161,278	148,147	146,410
Surplus (deficit) attributable to the Australian Government	7,000	-	-	-	-

Prepared on an Australian Accounting Standards basis.

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

	Estimated 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 and equivalents	2,256	2,256	2,256	2,256	2,256
Trade and other receivables	74,196	72,701	74,753	75,777	80,743
Total financial assets	76,452	74,957	77,009	78,033	82,999
Non-financial assets					
Land and buildings	7,367	7,642	7,417	7,192	6,467
Infrastructure, plant and equipment	6,388	19,510	25,823	25,960	21,719
Intangibles	991	1,051	1,051	1,051	1,051
Other	916	963	1,012	1,062	1,062
Total non-financial assets	15,662	29,166	35,303	35,265	30,299
Total assets	92,114	104,123	112,312	113,298	113,298
LIABILITIES					
Interest bearing liabilities					
Leases	1,496	1,496	1,496	1,496	1,496
Total interest bearing liabilities	1,496	1,496	1,496	1,496	1,496
Provisions					
Employees	35,080	37,434	38,247	39,112	39,112
Total provisions	35,080	37,434	38,247	39,112	39,112
Payables					
Suppliers	1,610	1,653	1,697	1,742	1,742
Other	4,044	4,115	4,189	4,265	4,265
Total payables	5,654	5,768	5,886	6,007	6,007
Total liabilities	42,230	44,698	45,629	46,615	46,615
Net assets	49,884	59,425	66,683	66,683	66,683
EQUITY					
Contributed equity	12,939	22,480	29,738	29,738	29,738
Reserves	3,644	3,644	3,644	3,644	3,644
Retained surpluses or accumulated deficits	33,301	33,301	33,301	33,301	33,301
Total equity	49,884	59,425	66,683	66,683	66,683
Current assets	77,368	75,920	78,021	79,095	84,061
Non-current assets	14,746	28,203	34,291	34,203	29,237
Current liabilities	37,211	39,478	40,200	40,969	40,743
Non-current liabilities	5,019	5,220	5,429	5,646	5,872

Prepared on an Australian Accounting Standards basis.

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

	Estimated 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	10,436	10,109	10,010	9,666	9,894
Appropriations	131,532	148,108	152,144	141,716	130,900
Other	218	218	216	216	250
Total cash received	142,186	158,435	162,370	151,598	141,044
Cash used					
Employees	99,391	99,728	101,799	97,693	98,673
Suppliers	49,108	50,278	53,415	44,362	37,743
Borrowing costs	158	158	158	158	158
Total cash used	148,657	150,164	155,372	142,213	136,574
Net cash from or (used by) operating activities	(6,471)	8,271	6,998	9,385	4,470
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	2,507	17,812	14,256	9,385	4,470
Total cash used	2,507	17,812	14,256	9,385	4,470
Net cash from or (used by) investing activities	(2,507)	(17,812)	(14,256)	(9,385)	(4,470)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	8,978	9,541	7,258	-	-
Total cash received	8,978	9,541	7,258	-	-
Net cash from or (used by) financing activities	8,978	9,541	7,258	-	-
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	2,256	2,256	2,256	2,256	2,256
Cash at the end of the reporting period	2,256	2,256	2,256	2,256	2,256

Prepared on an Australian Accounting Standards basis.

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

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	33,301	3,644	-	12,939	49,884
Adjusted opening balance	33,301	3,644	-	12,939	49,884
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	9,541	9,541
Sub-total transactions with owners	-	-	-	9,541	9,541
Estimated closing balance as at 30 June 2009	33,301	3,644	-	22,480	59,425

Prepared on an Australian Accounting Standards basis.

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

	Estimated 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					
Revenues from Government	42,884,072	45,030,349	48,299,786	50,916,816	53,706,816
Goods and services	633,000	631,200	620,600	626,800	631,700
Interest	3,127	1,810	1,810	1,810	1,810
Dividends	1,084,822	2,674,000	1,869,000	1,971,000	2,123,000
Other sources of non-taxation revenues	2,587	2,153	1,950	1,950	1,950
Total non-taxation	44,607,608	48,339,512	50,793,146	53,518,376	56,465,276
Total revenues administered on behalf of Government	44,607,608	48,339,512	50,793,146	53,518,376	56,465,276
Gains					
Foreign exchange	201,551	-	-	-	-
Total gains administered on behalf of Government	201,551	-	-	-	-
Total income administered on behalf of Government	44,809,159	48,339,512	50,793,146	53,518,376	56,465,276
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	42,930,304	45,075,833	48,357,070	50,975,100	53,765,100
Interest	28,768	21,816	21,816	21,816	21,816
Other	5,000	5,000	5,000	5,000	5,000
Losses					
Net foreign exchange losses	-	11	-	-	-
Total expenses administered on behalf of Government	42,964,072	45,102,660	48,383,886	51,001,916	53,791,916

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)

	Estimated 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					
Cash and cash equivalents	13,168	13,168	13,168	13,168	13,168
Receivables	1,224	397	397	397	397
Investments	16,290,079	16,290,079	16,290,079	16,290,079	16,290,079
Total financial assets	16,304,471	16,303,644	16,303,644	16,303,644	16,303,644
Non-financial assets					
Other	2,075	2,075	2,075	2,075	2,075
Total non-financial assets	2,075	2,075	2,075	2,075	2,075
Total assets administered on behalf of Government	16,306,546	16,305,719	16,305,719	16,305,719	16,305,719
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Loans	3,492,269	3,491,727	3,491,727	3,491,727	3,491,727
Other	806,556	806,556	806,556	806,556	806,556
Total interest bearing liabilities	4,298,825	4,298,283	4,298,283	4,298,283	4,298,283
Provisions					
Suppliers	127	127	127	127	127
Other provisions	400	-	-	-	-
Total provisions	527	127	127	127	127
Payables					
Grants and subsidies	141,778	62,487	37,501	20,736	4,971
Other payables	3,639	3,639	3,639	3,639	3,639
Total payables	145,417	66,126	41,140	24,375	8,610
Total liabilities administered on behalf of Government	4,444,769	4,364,536	4,339,550	4,322,785	4,307,020

Prepared on an Australian Accounting Standards basis.

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

	Estimated 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					
Rendering of services	633,000	631,200	620,600	626,800	631,700
Interest	3,729	1,810	1,810	1,810	1,810
Dividends	1,084,822	2,674,000	1,869,000	1,971,000	2,123,000
Other	2,680	2,580	1,950	1,950	1,950
Total cash received	1,724,231	3,309,590	2,493,360	2,601,560	2,758,460
Cash used					
Grant payments	42,930,304	45,075,833	48,357,070	50,975,100	53,765,100
Interest paid	31,050	21,816	21,816	21,816	21,816
Other	55,119	81,791	29,986	21,765	20,765
Total cash used	43,016,473	45,179,440	48,408,872	51,018,681	53,807,681
Net cash from or (used by) operating activities	(41,292,242)	(41,869,850)	(45,915,512)	(48,417,121)	(51,049,221)
INVESTING ACTIVITIES					
Cash used					
Purchase of equity instruments	3,607	3,053	-	-	-
Total cash used	3,607	3,053	-	-	-
Net cash from or (used by) investing activities	(3,607)	(3,053)	-	-	-
Net increase or (decrease) in cash held	(41,295,849)	(41,872,903)	(45,915,512)	(48,417,121)	(51,049,221)
Cash at beginning of reporting period	13,168	13,168	13,168	13,168	13,168
Cash from Official Public Account - appropriations	43,020,080	45,468,493	48,408,872	51,018,681	53,807,681
Cash to Official Public Account	1,724,231	3,595,590	2,493,360	2,601,560	2,758,460
Cash at end of reporting period	13,168	13,168	13,168	13,168	13,168

Prepared on an Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

Basis of accounting

The Treasury's budgeted statements are prepared on an accrual basis in accordance with:

- the Government's financial budgeting and reporting framework; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The budgeted income statement and balance sheet are prepared in accordance with historical cost convention, except certain assets, at fair value.

Departmental and administered financial statements

Under the 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 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 Government according to set government directions. Administered expenses include subsidies, grants, and personal benefit payments and administered revenues include taxes, fees, fines and excises.