

# TREASURY

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# TREASURY

## Section 1: Department overview

The Treasury seeks to promote a sound macroeconomic environment; effective government spending and taxation arrangements; and well functioning markets, by providing sound and timely advice to the Australian Government and assisting Treasury Ministers in the administration of their responsibilities and the implementation of Government decisions.

**Table 1.1: Agency outcomes and output groups**

Outcome	Description	Output groups
<b>Outcome 1</b>		
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.	Output Group 1.1 Macroeconomic group
<b>Outcome 2</b>		
Effective government spending and taxation arrangements	Government spending and taxation arrangements contribute to the overall fiscal outcome but also influence strong sustainable economic growth and the improved wellbeing of Australians.	Output Group 2.1 Fiscal group  Output Group 2.2 Revenue group
<b>Outcome 3</b>		
Well functioning markets	Well functioning markets contribute to high sustainable economic and employment growth and the improved wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively. Well functioning markets operate when investors and consumers have confidence and certainty about the regulatory framework, and are able to make decisions that are informed and free of market distortions and impediments.	Output Group 3.1 Markets group

## Section 2: Department resources for 2005-06

### **2.1: APPROPRIATIONS AND OTHER RESOURCES**

The total appropriation for the Treasury in the 2005-06 Budget is \$38,906.6 million.

Table 2.1 shows the total resources from all origins for 2005-06, including appropriations. The table summarises how revenue will be applied by outcome, administered and departmental classification.

**Table 2.1: Appropriations and other revenue 2005-06<sup>1</sup> ('000)**

Outcome	Appropriations					Revenue from other sources <sup>5</sup>		Total resources <sup>7</sup>
	\$'000	\$'000	\$'000	\$'000	% <sup>6</sup>	\$'000	% <sup>6</sup>	\$'000
	Bill No. 1	Bill No. 2 <sup>2</sup>	Special approp <sup>3</sup>	Total approp <sup>4</sup>				
<b>Outcome 1 - Sound macroeconomic environment</b>								
Administered	-	-	22,510	22,510	100%	-	-	22,510
Departmental	31,408	-	-	31,408	88%	4,413	12%	35,821
<b>Total outcome 1</b>	<b>31,408</b>	<b>-</b>	<b>22,510</b>	<b>53,918</b>		<b>4,413</b>		<b>58,331</b>
<b>Outcome 2 - Effective government spending and taxation arrangements</b>								
Administered	-	4,272	38,485,602	38,489,874	100%	-	-	38,489,874
Departmental	57,218	-	-	57,218	98%	1,160	2%	58,378
<b>Total outcome 2</b>	<b>57,218</b>	<b>4,272</b>	<b>38,485,602</b>	<b>38,547,092</b>		<b>1,160</b>		<b>38,548,252</b>
<b>Outcome 3 - Well functioning markets</b>								
Administered	6,000	164,701	-	170,701	100%	-	-	170,701
Departmental	45,525	-	-	45,525	50%	44,767	50%	90,292
<b>Total outcome 3</b>	<b>51,525</b>	<b>164,701</b>	<b>-</b>	<b>216,226</b>		<b>44,767</b>		<b>260,993</b>
Administered	6,000	168,973	38,508,112	38,683,085	100%	-	-	38,683,085
Departmental	134,151	-	-	134,151	73%	50,340	27%	184,491
<b>Total agency</b>	<b>140,151</b>	<b>168,973</b>	<b>38,508,112</b>	<b>38,817,236</b>		<b>50,340</b>		<b>38,867,576</b>
Departmental capital (equity injections)	-	4,243	-	4,243	100%	-	-	4,243
Previous year's outputs	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	2,500	-	2,500	100%	-	-	2,500
Special capital appropriation	-	-	82,618	82,618	100%	-	-	82,618
<b>Total resources</b>	<b>140,151</b>	<b>175,716</b>	<b>38,590,730</b>	<b>38,906,597</b>		<b>50,340</b>		<b>38,956,937</b>

1 This table has been redesigned to correspond with *Budget Paper No. 4, Agency Resourcing 2005-06*.

2 Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPPs), new agency Outcomes (NAOs), administered capital and departmental capital via departmental injections and loans.

3 Estimated expenses from individual Special Appropriations are shown at Section 2, Table 2.5.

4 Total appropriations = Bill No. 1 + Bill No. 2 + Special appropriations.

5 Revenue from other sources includes *Financial Management and Accountability Act 1997* (FMA) s.31 revenues, that are available to be expensed, special accounts (non-appropriation revenues) and resources received free of charge.

6 Percentage figures indicate the percentage contribution of Revenue from Government (Departmental Appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (Departmental) to the total price of outputs, by outcome.

7 Total resources = Total appropriations + Revenue from other sources.

Note: Refer to Budgeted departmental statement of financial performance for application of agency revenue.

## **2.2: 2005-06 BUDGET MEASURES**

Budget measures relating to Treasury as explained in *Budget Paper No. 2, Budget Measures 2005-06* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

**Table 2.2: Treasury measures**

Measure	Outcome	Output groups affected	Appropriations budget			Appropriations forward estimate 2006-07			Appropriations forward estimate 2007-08			Appropriations forward estimate 2008-09		
			2005-06 \$'000			2006-07 \$'000			2007-08 \$'000			2008-09 \$'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Asia Pacific Economic Cooperation 2007	1	1.1	-	1,100	1,100	-	2,700	2,700	-	1,100	1,100	-	-	-
Efficiency dividend — increase in the rate from 1 per cent to 1.25 per cent	1,2,3	1.1, 2.1, 2.2, 3.1	-	- 302	- 302	-	- 620	- 620	-	- 920	- 920	-	- 920	- 920
Future Fund — implementation and administration	2	2.1	-	851	851	-	-	-	-	-	-	-	-	-
Reform of state taxes — payment of Budget Balancing Assistance	2	2.1	-	-	-	240,939	-	240,939	243,967	-	243,967	78,210	-	78,210
Labour force participation — modelling	2	2.2	-	1,500	1,500	-	1,500	1,500	-	1,500	1,500	-	1,600	1,600
Labour force participation — modelling (Related capital)	2	2.2	-	30	30	-	10	10	-	10	10	-	10	10
Financial Reporting Council — improved accounting and auditing standards-setting arrangements	3	3.1	-	4,800	4,800	-	4,800	4,800	-	4,800	4,800	-	4,800	4,800
Royal Australian Mint buildings — refurbishment (Capital)	3	3.1	-	1,500	1,500	-	8,500	8,500	-	6,100	6,100	-	-	-

Note: Further information on these measures can be found in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes tables on pages 24, 28 and 34. This table shows the resourcing to be provided for these measures and may differ from those in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes tables as these are on a Government Finance Statistics (GFS) basis.

### 2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Table 2.3 provides details of other receipts available to be used and includes FMA s.31 receipts, that are available to be spent, special accounts (non-appropriation receipts) and resources received free of charge.

**Table 2.3: Other receipts available to be used<sup>1</sup>**

	Estimated receipts 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Departmental other receipts</b>		
Goods and services	48,061	48,351
Other	1,989	1,989
<b>Total departmental other receipts available to be used</b>	<b>50,050</b>	<b>50,340</b>

<sup>1</sup> This table replaces the former table 'Receipts from independent sources'. It represents own source receipts available for spending on departmental purposes. There are no Administered receipts that are available to be used.

### 2.4: MOVEMENT OF ADMINISTERED FUNDS FROM 2004-05 TO 2005-06

**Table 2.4: Movement of administered funds from 2004-05 to 2005-06**

This table is not applicable to the Treasury.

### 2.5: SPECIAL APPROPRIATIONS

**Table 2.5: Estimates of expenses from special appropriations**

	Outcome	Estimated expenses 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Estimated expenses</b>			
<i>International Monetary Agreements Act 1947</i>	1	20,308	22,510
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	2	384,652	755,602
<i>Superannuation Industry (Supervision) Act 1993</i>	3	2,010	-
<b>Total estimated expenses</b>		<b>406,970</b>	<b>778,112</b>

This table identifies expenses associated with special appropriations administered by the Treasury.

## 2.6: SPECIAL ACCOUNTS

**Table 2.6: Estimates of special account flows and balances**

		Opening balance	Receipts	Payments	Closing balance
	A <sup>(1)</sup>	2005-06	2005-06	2005-06	2005-06
	B <sup>(1)</sup>	2004-05	2004-05	2004-05	2004-05
	Outcome	\$'000	\$'000	\$'000	\$'000
Australian Government Actuary	3	<b>1,284</b>	<b>1,500</b>	<b>1,500</b>	<b>1,284</b>
		1,284	1,500	1,500	1,284
Llyod's Deposit Fund	3	<b>2,000</b>	<b>180</b>	<b>180</b>	<b>2,000</b>
		2,000	180	180	2,000
Royal Australian Mint Coinage Trust	3	<b>11,527</b>	<b>95,000</b>	<b>95,000</b>	<b>11,527</b>
		11,527	95,000	95,000	11,527
Trustee Companies (ACT) Deposit Trust Fund	3	<b>120</b>	<b>5</b>	<b>5</b>	<b>120</b>
		120	5	5	120
Other Trust Monies <sup>2</sup>		<b>29</b>	<b>-</b>	<b>-</b>	<b>29</b>
		29	-	-	29
<b>Total special accounts</b>					
<b>2005-06 Budget estimate</b>		<b>14,960</b>	<b>96,685</b>	<b>96,685</b>	<b>14,960</b>
Total special accounts					
2004-05 estimated actual		14,960	96,685	96,685	14,960

1 The opening balance for 2005-06 (reference A) is the same as the closing balance for 2004-05 (reference B).

2 The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government and therefore is not reported under any Outcome.

## 2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Treasury will receive administered capital appropriations of \$85.1 million in 2005-06. Of this amount, \$82.6 million is funded through special appropriations and \$2.5 million through Appropriation Bill No. 2. These capital appropriations relate to financial assets (refer to Table 5.9).

The special appropriation item relates to capital payments for the HIH Assistance Scheme. The Appropriation Bill No. 2 item relates to Australia's contribution to the International Monetary Fund's Poverty Reduction and Growth Facility.

The Treasury will receive departmental capital appropriations of \$4.243 million. This relates to capital requirements for the Royal Australian Mint of \$4.210 million, including \$1.5 million for refurbishment, labour force participation modelling of \$0.03 million and Hosting of the Group of Twenty (G-20) in 2006 of \$0.003 million.

## Section 3: Department outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items that contribute to the three outcomes for the Treasury.

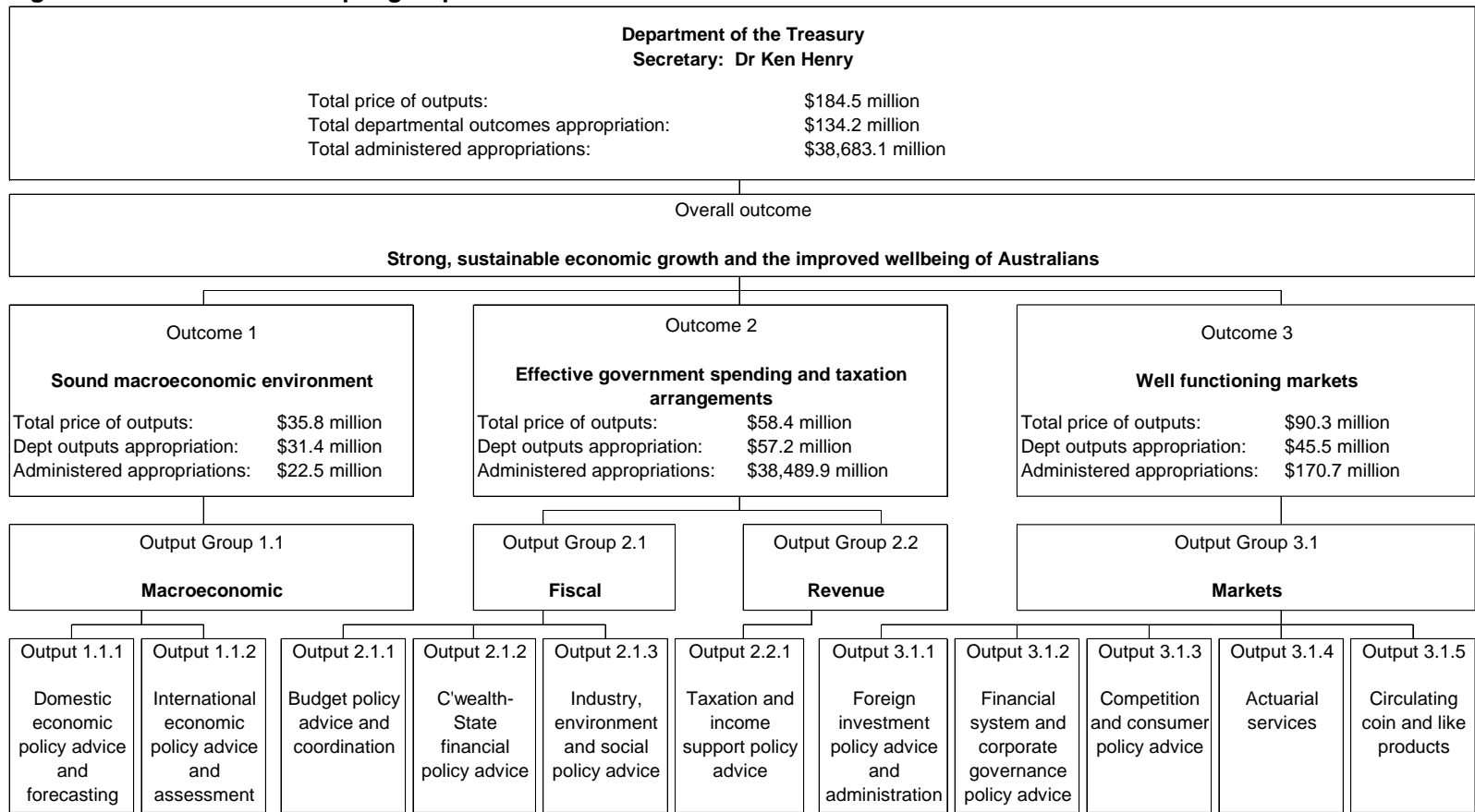
### **3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS**

The relationship between activities of the Treasury and the outcomes is summarised in Figure 4.

The Treasury uses a process of cost allocation to estimate the costs of each output identified in Table 3.1.1, Table 3.2.1 and Table 3.3.1.

The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated based on a consumption (cost driver) basis.

**Figure 4: Outcomes and output groups and administered items**

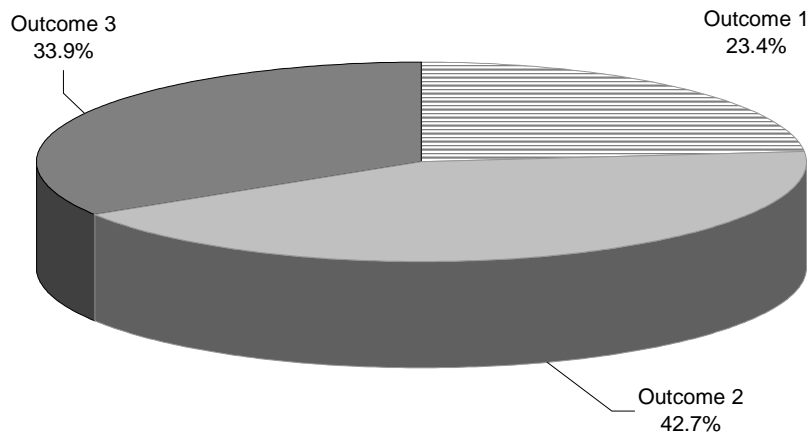


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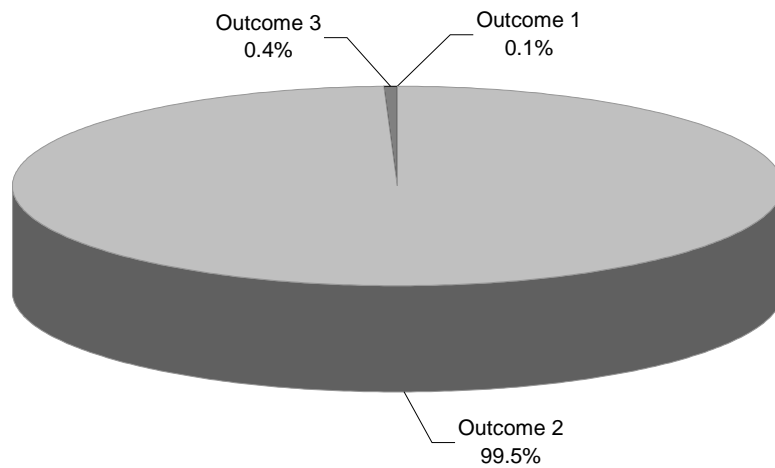
### 3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The following graphs provide an indication of how appropriations are allocated by Outcome.

**Figure 5: Departmental appropriations by outcome, 2005-06**



**Figure 6: Administered appropriations by outcome, 2005-06**



### **3.3: OUTCOMES RESOURCING**

#### **Outcome 1 description**

##### **Sound macroeconomic environment**

A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. It is characterised by stable prices, low interest rates, healthy employment growth, and a sustainable external position.

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

#### **Outcome 1 resourcing**

Table 3.1.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources (Departmental) and the total price of outputs.

**Table 3.1.1: Total resources for Outcome 1 (\$'000)**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Administered appropriations</b>		
Special Appropriations		
<i>International Monetary Agreements Act 1947</i>	20,308	22,510
<b>Total administered appropriations</b>	20,308	22,510
<b>Departmental appropriations</b>		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	8,373	8,678
Output 1.1.2 - International economic policy advice and assessment	18,449	22,730
<b>Total revenue from government (appropriations)</b>		
<b>Contributing to price of departmental outputs</b>	26,822	31,408
<b>Revenue from other sources</b>		
Goods and Services	3,947	3,966
Other	438	447
<b>Total revenue from other sources</b>	4,385	4,413
<b>Total price from departmental outputs</b> (Total revenue from government and from other sources)	31,207	35,821
<b>Total estimated resourcing for Outcome 1</b> (Total price of outputs and administered appropriations)	51,515	58,331
	2004-05	2005-06
<b>Average staffing level (number)</b>	168	191

### 3.4: MEASURES AFFECTING OUTCOME 1

#### Measures affecting Outcome 1

	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Asia Pacific Economic Cooperation 2007 <sup>1</sup>	1,100	2,700	1,100	-
Efficiency dividend — increase in the rate from 1 per cent to 1.25 per cent <sup>1, 2</sup>	- 302	- 620	- 920	- 920

<sup>1</sup> This is a cross portfolio measure. This table shows Treasury's contribution to the measure.

<sup>2</sup> Note this measure applies to Treasury's three Outcomes.

Details of these measures are included in *Budget Paper No. 2, Budget Measures 2005-06*.

#### Outcome 1 contribution of outputs

The Treasury aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy.

The Treasury provides advice on advancing Australia's interests at fora such as the Group of Twenty (G-20), and international institutions such as the World Bank, International Monetary Fund, Asian Development Bank and the Organisation for Economic Cooperation and Development, and in the Asia Pacific Economic Cooperation (APEC) process. The Treasury also participates directly at officials' level in these international fora.

In the coming year an important focus for the Treasury will be preparing for Australia's hosting of the meeting of the G-20 Ministers and Central Bank Governors in the second half of 2006 and the APEC Finance Ministers in 2007.

Complementing these multilateral activities, the Treasury is engaged in bilateral policy dialogue and cooperation with counterparts in the Asia-Pacific region. The Treasury also provides bilateral assistance in support of economic reform and strengthened economic and fiscal governance, in particular to Papua New Guinea, the Solomon Islands and Nauru. Through these multilateral and bilateral avenues, Australia is making a significant contribution in efforts to sustain economic stability and growth both in our region and internationally.

The effectiveness of the Treasury's contribution to a sound macroeconomic environment is judged primarily by feedback from Treasury portfolio Ministers on the quality and relevance of Treasury's advice.

## Performance information for Outcome 1

**Table 3.2.1: Performance information for Outcome 1**

<b>Performance information for administered items (including third party outputs)</b>	
Subscriptions to international financial institutions	<p>Facilitation of achievement of government objectives in international fora, including strengthening the international financial system, multilateral debt relief and institutional reform in the multilateral development banks.</p> <p>Timely and accurate financial transactions with the international financial institutions that are made with due regard to minimising cost and risk for Australia.</p>
<b>Performance information for individual outputs</b>	
<b>Output Group 1.1 - Macroeconomic</b>	
Output 1.1.1 - Domestic economic policy advice and forecasting	<p>Advice on economic policy and the economic outlook meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions that contribute to a sound domestic economy.</p> <p>Effective presentation of budget documents and other publications to adequately inform public debate.</p> <p><b>Price: \$8.9 million</b></p>
Output 1.1.2 - International economic policy advice and assessment	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions relating to international economic and financial issues.</p> <p>Effective participation in international for a and bilateral dialogue to facilitate achievement of government objectives.</p> <p>Effective hosting of G-20 meetings and associated workshops in 2006.</p> <p>Effective advice on, and direct support for, improving economic governance and policies and building capacity in Papua New Guinea, the Solomon Islands and Nauru.</p> <p><b>Price: \$26.9 million</b></p>

## Evaluations for Outcome 1

Feedback will be sought from key clients and stakeholders on a regular basis on the effectiveness of the Treasury's policy advice and international engagement. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2005-06*.

## **Outcome 2 description**

### **Effective government spending and taxation arrangements**

Government spending and taxation arrangements contribute to the overall fiscal outcome but also influence strong sustainable economic growth and the improved wellbeing of Australians.

Spending measures should be effective in meeting their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs, thus contributing to the wellbeing of Australians.

Taxation measures should meet revenue objectives (or other public policy objectives) and have regard to the principles of economic efficiency, horizontal and vertical equity and transparency whilst minimising compliance and administrative costs. By meeting these objectives, taxation measures contribute to wellbeing, either directly or by providing the revenue base to finance government services.

Treasury provides policy advice to portfolio Ministers in order to promote Government decisions that further these objectives.

### **Outcome 2 resourcing**

Table 3.1.2 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 2, including administered expenses, revenue from government (appropriation), revenue from other sources (Departmental) and the total price of outputs.

**Table 3.1.2: Total resources for Outcome 2 (\$'000)**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Administered appropriations</b>		
Annual Appropriations		
Australian Capital Territory - special revenue assistance	14,200	-
Additional First Home Owners Scheme	35	4,272
Special Appropriations		
<i>A New Tax System (Commonwealth-State     Financial Arrangements) Act 1999</i>	36,329,652	38,485,602
<b>Total administered appropriations</b>	<b>36,343,887</b>	<b>38,489,874</b>
<b>Departmental appropriations</b>		
Output Group 2.1 - Fiscal		
Output 2.1.1 - Budget policy advice and coordination	3,279	4,256
Output 2.1.2 - Commonwealth-State financial policy advice	3,718	2,697
Output 2.1.3 - Industry, environment and social policy advice	7,211	7,173
<b>Subtotal Output Group 2.1</b>	<b>14,208</b>	<b>14,126</b>
Output Group 2.2 - Revenue		
Output 2.2.1 - Taxation and income support policy advice	39,814	43,092
<b>Subtotal Output Group 2.2</b>	<b>39,814</b>	<b>43,092</b>
<b>Total revenue from government (appropriations) Contributing to price of departmental outputs</b>	<b>54,022</b>	<b>57,218</b>
<b>Revenue from other sources</b>		
Goods and services	1,021	1,039
Other	113	121
<b>Total revenue from other sources</b>	<b>1,134</b>	<b>1,160</b>
<b>Total price from departmental outputs</b> (Total revenue from government and from other sources)	<b>55,156</b>	<b>58,378</b>
<b>Total estimated resourcing for Outcome 2</b> (Total price of outputs and administered appropriations)	<b>36,399,043</b>	<b>38,548,252</b>
<b>Average staffing level (number)</b>	<b>398</b>	<b>405</b>

### 3.4: MEASURES AFFECTING OUTCOME 2

#### Measures affecting Outcome 2

	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Future Fund — implementation and administration	851	-	-	-
Reform of state taxes — payment of Budget Balancing Assistance	-	240,939	243,967	78,210
Labour force participation — modelling	1,500	1,500	1,500	1,600
Labour force participation — modelling ( <i>Related capital</i> )	30	10	10	10

Details of these measures are included in *Budget Paper No. 2, Budget Measures 2005-06*.

## **Outcome 2 contribution of outputs**

Effective government spending and taxation arrangements are crucial to achieving the Australian Government's objectives for the economy and hence the wellbeing of Australians. Ongoing advice to the portfolio Ministers from the Treasury assists in formulating, implementing and explaining government spending and taxation decisions.

More specifically, in the coming year the Treasury will provide advice on:

- budget policies, including arrangements for the distribution of resources between the Australian Government and other levels of government, which are consistent with sustainable public finances and macroeconomic objectives;
- government expenditure programmes, with a focus on those programmes with significant economic or budgetary implications;
- policies relating to the Australian Government's debt portfolio and the management of the portfolio;
- implementing the framework to support the establishment of the Future Fund;
- taxation policies and legislative design proposals which contribute to the reform of the Australian taxation system in terms of efficiency, equity and transparency whilst minimising compliance and administrative costs;
- policies to promote the efficient and sustainable use of resources and to improve the competitiveness and productivity of Australian industries, thereby promoting higher levels of sustainable economic growth; and
- development and implementation of policies relating to retirement incomes, including superannuation and the age pension, and other income support arrangements intended to promote the wellbeing of Australians.

In 2005-06, the Treasury will devote significant resources to:

- production of the *2004-05 Final Budget Outcome, 2005-06 Mid-Year Economic and Fiscal Outlook and, 2006-07 Budget*;
- providing advice on those issues identified by the Australian Government as its key strategic priorities (including demographic changes, improving participation in the workforce, welfare, work and family policies, health, education, energy, defence

and national security, infrastructure, science and innovation, the environment and rural and regional policy);

- commencing development of quantitative modelling to identify the labour force participation effects of government policy proposals, including tax and income support changes;
- implementing decisions arising from the Australian Government's Review of the System of Self Assessment for Income Tax Returns;
- improving processes and outputs in the development of advice on taxation and superannuation policies (including consultation processes and design of legislation);
- implementing the business fuel credits and the first phase of the fuel excise reforms as announced in the White Paper, 'Servicing Australia's Energy Future';
- continuing to implement decisions arising from the review of international taxation; and
- further stages in legislation relating to the taxation of financial arrangements, the definition of charities, penalties for tax scheme promoters, foreign resident withholding and a substantial programme of other tax legislation.

The effectiveness of the contribution of these outputs to the outcome will be gauged primarily in terms of feedback from Treasury portfolio Ministers as to whether policy advice and new taxation legislation meets their needs in formulating, implementing and explaining government spending and taxation decisions.

## Performance information for Outcome 2

**Table 3.2.2: Performance information for Outcome 2**

<b>Performance information for administered items (including third party outputs)</b>	
Payments to state and territory governments	<p>Accurate calculation of amounts payable according to agreed formulae.</p> <p>Payments made according to agreed schedules.</p>
<b>Performance information for individual outputs</b>	
<b>Output Group 2.1 - Fiscal</b>	
Output 2.1.1 - Budget policy advice and coordination	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to assessments of the budget position and outlook, and budget strategy and debt policy.</p> <p>Effective presentation of budget documents for which Treasury has responsibility and other publications to adequately inform public debate.</p> <p><b>Price: \$4.3 million</b></p>
Output 2.1.2 - Commonwealth-State financial policy advice	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to Commonwealth-State financial relations.</p> <p>Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.</p> <p><b>Price: \$2.8 million</b></p>
Output 2.1.3 - Industry, environment and social policy advice	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to industry, environment and social policy.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p><b>Price: \$7.3 million</b></p>
<b>Output Group 2.2 - Revenue</b>	
Output 2.2.1 - Taxation and income support policy advice	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions relating to taxation and income support policy.</p> <p>Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.</p> <p>Tax law is developed in accordance with the principles for good law design.</p> <p>Legislation delivered according to government programmes.</p> <p><b>Price: \$44.0 million</b></p>

## **Evaluations for Outcome 2**

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice and payments to State and Territory Governments. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2005-06*.

## **Outcome 3 description**

### **Well functioning markets**

Well functioning markets contribute to high sustainable economic and employment growth and the improved wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively. Well functioning markets operate when investors and consumers have confidence and certainty about the regulatory framework, and are able to make decisions that are informed and free of market distortions and impediments.

The Treasury provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in both product and services markets, and safeguard the public interest in areas such as consumer protection and foreign investment and trade.

### **Outcome 3 resourcing**

Table 3.1.3 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 3, including administered expenses, revenue from government (appropriation), revenue from other sources (Departmental) and the total price of outputs.

**Table 3.1.3: Total resources for Outcome 3 (\$'000)**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Administered appropriations</b>		
Annual appropriations		
Compensation - companies regulation	159,748	164,701
Housing Loans Insurance Company Limited - payments in respect of insurance claims	9,000	6,000
Special appropriations		
<i>Superannuation Industry (Supervision) Act 1993</i>	2,010	-
<b>Total administered appropriations</b>	<b>170,758</b>	<b>170,701</b>
<b>Departmental appropriations</b>		
Output Group 3.1 Markets		
Output 3.1.1 - Foreign investment policy advice and administration	3,857	4,019
Output 3.1.2 - Financial system and corporate governance policy advice	20,765	22,283
Output 3.1.3 - Competition and consumer policy advice	18,678	19,223
Output 3.1.4 - Actuarial services	-	-
Output 3.1.5 - Circulating coin and like products	-	-
<b>Total revenue from government (appropriations)</b>		
<b>Contributing to price of departmental outputs</b>	<b>43,300</b>	<b>45,525</b>
<b>Revenue from other sources</b>		
Goods and services	44,285	44,514
Other	246	253
<b>Total revenue from other sources</b>	<b>44,531</b>	<b>44,767</b>
<b>Total price from departmental outputs</b>		
(Total revenue from government and from other sources)	87,831	90,292
<b>Special Accounts (estimated payments from Special Account balances)<sup>1</sup></b>		
Australian Government Actuary	1,500	1,500
Lloyd's Deposit Fund	180	180
Royal Australian Mint and Coinage Trust	95,000	95,000
Trustee Companies (ACT) Deposit Trust Fund	5	5
<b>Total departmental Special Account outflows</b>	<b>96,685</b>	<b>96,685</b>
<b>Total estimated resourcing for Outcome 3</b>		
(Total price of outputs and administered appropriations)	258,589	260,993
	2004-05	2005-06
<b>Average staffing level (number)</b>	<b>324</b>	<b>338</b>

<sup>1</sup> Special Account outflows are shown in the payments column of the Special Account table in Table 2.6. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.

### 3.4: MEASURES AFFECTING OUTCOME 3

#### Measures affecting Outcome 3

	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Financial Reporting Council — improved accounting and auditing standards-setting arrangements <sup>1</sup>	-	-	-	-
Royal Australian Mint buildings — refurbishment (Capital)	1,500	8,500	6,100	-

<sup>1</sup> This measure involves funding of \$4.8 million in each year from 2005-06 to 2008-09. Provision for the funding had already been included in the Contingency Reserve. See also Table 2.2 on page 17.

Details of these measures are included in *Budget Paper No. 2, Budget Measures 2005-06*.

#### Outcome 3 contribution of outputs

The Treasury provides advice to portfolio Ministers to assist them carry out their responsibilities in formulating, implementing and explaining the policies needed to achieve well functioning markets – markets that are competitive, efficient, informed, fair and transparent.

Advice is provided to the Australian Government on foreign investment proposals and on general foreign investment and trade policy matters. The Treasury also represents Australia's interest in international negotiations on investment issues. In addition, the Treasury promotes awareness and understanding of the Australian Government's foreign investment policy in the community and in the business sector, both in Australia and overseas, and monitors compliance with policy. Secretariat services will continue to be provided to the Foreign Investment Review Board.

In relation to the financial system, the Treasury provides policy advice on the legislative framework and more complex operational matters and policy development. This includes oversight for the prudential supervision and conduct of financial institutions, financial markets and service providers (including in the areas of banking, insurance and superannuation) that are supervised by the Australian Prudential Regulatory Authority (APRA) and the Australian Securities and Investments Commission. The Treasury monitors issues and developments in the financial services sector, and provides advice on their policy implications. In 2005-06, the Treasury will continue to provide advice on policy issues emerging in the general insurance sector, including the Government's response to the recommendations of the HIH Royal Commission and implementation of the *Superannuation Safety Amendment Act 2004*.

Other policy priorities will include further reforms to the general insurance regime, harmonisation of APRA's enforcement powers across supervised industries and implementation of the Base II Core Principles for banks. There will also be

continuation of amendments to Commonwealth legislation to support state and territories insurance liability law reform. Participation will continue in the Insurance Issues Working Group of the Heads of Treasuries to monitor the availability and affordability of various classes of insurance.

Secretariat services will continue to be provided to the Financial Sector Advisory Committee, which is a group of executives from the private financial sector that gives advice to the Treasurer on financial sector policies.

The Treasury will provide policy advice to the Australian Government on a range of initiatives to integrate more closely the Australian and New Zealand markets, including in the areas of prudential supervision of banking, consumer and competition law and administration, fundraising and accounting standards. This includes through forums such as the Joint Trans-Tasman Council on Banking Supervision, the formation of which was announced in February 2005 and which is aimed at moving toward seamless banking regulation in the two countries.

Policy advice relating to the HHH Assistance Scheme will continue to be provided to the Australian Government. In addition, the involvement in relation to terrorism replacement insurance will continue, through the provision of policy advice and technical support to the Australian Reinsurance Pool Corporation, in its initial stages.

The Treasury will continue to provide the Executive for the Takeovers Panel, to promote efficiency and shareholder protection in the market for control of Australian companies.

The Treasury will continue to monitor financial services regulation to ensure that it achieves its intended outcomes. Where necessary adjustments to the regulatory requirements will be proposed that improve its operational effectiveness.

The Treasury will provide policy advice to the Australian Government on a range of initiatives to improve the frameworks for corporate insolvency and corporate groups.

Legislation implementing reforms covering independence of auditors, legislative backing for auditing standards as well as corporate governance more broadly commenced in July 2004 (CLERP 9). The Treasury will continue to monitor and provide advice on the operation of the CLERP 9 reforms.

Secretariat services will continue to be provided to the Financial Reporting Council (FRC) which oversees Australia's accounting standard setting arrangements. Under CLERP 9 reforms, the FRC was given responsibility to oversight audit standard setting and auditor independence issues. The Treasury will provide the Executive for the Financial Reporting Panel, which will commence operations in 2005-06.

There will be ongoing involvement in progressing international cooperation in financial system regulation, corporate governance, financial reporting and corporate

insolvency. For example, the Treasury will be pursuing ways to further integrate the Australian and United States (US) financial services sectors, with a focus on regulatory recognition, through the Financial Services Committee established under the Australia – US Free Trade Agreement.

The Treasury provides advice on competition and consumer policy matters and advises on legislative amendments to the *Trade Practices Act 1974*. In addition, the Treasury participates with other government departments and agencies in formulating policy for the progress of structural reform in key sectors of the economy, including energy, transport and communications.

Consumer policy advice will focus on the consumer policy framework. Emphasis will be placed on ensuring the framework continues to support consumers. Consumer product safety, in particular, will be an area targeted for examination. Secretariat services will be provided to the Ministerial Council for Consumer Affairs and the Commonwealth Consumer Affairs Advisory Council.

The Treasury is establishing the Financial Literacy Foundation to build the capacity of Australians to better manage their money and to take advantage of significant reforms to the finance sector that have improved competition and consumer choice in Australia's finance sector.

The Australian Government Actuary (AGA) will continue to provide services relating to financial matters: for example, benefits depending on contingencies such as injury, death or retirement. The AGA also assists departments and agencies with policy development in areas where it has specialist expertise.

The Royal Australian Mint (the Mint) has responsibility for producing circulating and numismatic coin for Australia and maintaining the National Coin Collection and promoting public understanding about the cultural and historical significance of coins.

The Treasury will continue to chair the Mint Advisory Board and also provide advice relating to the currency system.

## Performance information for Outcome 3

**Table 3.2.3: Performance information for Outcome 3**

<b>Performance information for administered items (including third party outputs)</b>	
Compensation - companies regulation payments to the states and the Northern Territory	<p>Amounts payable, according to agreed formula, are accurately calculated.</p> <p>Payments are made according to agreed schedules.</p>
<b>Performance information for departmental outputs</b>	
<b>Output Group 3.1 - Markets</b>	
Output 3.1.1 - Foreign investment policy advice and administration	<p>Advice meets Treasury portfolio Ministers' needs in fulfilling their responsibilities.</p> <p>Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international fora.</p> <p>Implementation of Australia's commitments on investment in the US Free Trade Agreement</p> <p>Promote the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises and fulfil the responsibilities of the National Contact Point for the Guidelines.</p> <p>Proposals are processed efficiently to meet the needs of Ministers, the Foreign Investment Review Board, foreign investors and their agents. Performance is currently regarded as satisfactory if:</p> <ul style="list-style-type: none"> <li>- around 90 per cent of the roughly 5,000 proposals received each year are processed within 30 days of receipt of a completed application; and</li> <li>- responses are provided on average within five days to around 27,000 general telephone, email and mail inquiries each year.</li> </ul> <p>Treasury effectively disseminates and explains the foreign investment policy to improve the standard of applications and compliance with policy requirements so that the proportion of foreign investment proposals requiring Interim or Final Orders are reduced.</p> <p>Treasury undertakes a programme of compliance checks on previous proposals subject to conditions - possibly leading to prosecutions, but aimed at an overall reduction in non-compliance with policy.</p> <p><b>Price: \$4.1 million</b></p>

**Table 3.2.3: Performance information for Outcome 3 (continued)**

<p>Output 3.1.2 - Financial system and corporate governance policy advice</p>	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to financial system and markets issues.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p>Statutory and other procedural requirements are met.</p> <p>Secretariat and executive services provided to advisory and external bodies are effective.</p> <p>Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, is assessed by participants as effective.</p> <p>Ministerial correspondence handled satisfactorily.</p> <p><b>Price: \$22.9 million</b></p>
<p>Output 3.1.3 - Competition and consumer policy advice</p>	<p>Advice meets Treasury portfolio Ministers' needs in discharging their responsibilities under legislation and in implementing government decisions in relation to competition and consumer policy and national financial literacy issues.</p> <p>Statutory and other procedural, administrative and reporting requirements are met.</p> <p>Effective representation and/or liaison with other agencies, private sector organisations and international bodies to promote competitive, efficient and well-informed markets.</p> <p>Effective presentation of relevant information to inform consumers and businesses.</p> <p>Secretariat services provided to advisory bodies are effective.</p> <p>Ministerial correspondence handled satisfactorily.</p> <p>Establishment and maintenance of effective clearinghouse and website services with information on financial and education services, superannuation and superannuation choice.</p> <p>Promote establishment of education benchmarks and standards in schools.</p> <p><b>Price: \$19.7 million</b></p>

**Table 3.2.3: Performance information for Outcome 3 (continued)**

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Output 3.1.4 - Actuarial services	Efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria. <b>Price: \$1.5 million</b>
Output 3.1.5 - Circulating coin and like products	Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to coinage and Royal Australian Mint operations. Produce circulating coin to Reserve Bank of Australia forecasts. Meets financial performance targets. Maintain the National Coin Collection and the Royal Australian Mint's Visitors Gallery and promote public understanding about the cultural and historical significance of coins. <b>Price: \$42.1 million</b>

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### Evaluations for Outcome 3

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice. Ongoing evaluation will be conducted of foreign investment policy administration in the context of statutory deadlines and target response rates. Results of the evaluations will be presented, as appropriate, in *The Treasury Annual Report 2005-06*.

## Section 4: Other reporting requirements

### **4.1: PURCHASER-PROVIDER ARRANGEMENTS**

The Treasury does not presently have purchaser/provider arrangements.

### **4.2: COST RECOVERY ARRANGEMENTS**

The Treasury does not presently have cost recovery arrangements. All receipts from independent sources are excluded for the purposes of the *Commonwealth Cost Recovery Guidelines* for the Regulatory Agencies as they are related to intergovernmental charging, taxation, or comply with competitive neutrality principles.

### **4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE**

#### **Table 4.1: Australian Government Indigenous Expenditure**

The table is not applicable to the Treasury.

## Section 5: Budgeted financial statements

### **5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

A brief analysis of the Treasury's budgeted financial statements is provided below.

#### **Departmental**

The Treasury is budgeting towards a breakeven operating result for 2005-06.

The Treasury will receive additional revenues in 2005-06 of \$10.3 million. This increase mainly relates to new funding provided to the Treasury for previous and new Budget measures, and other minor variations.

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

#### **Administered**

For constitutional reasons the goods and services tax (GST) is levied by the Australian Government, and can therefore be technically considered Australian Government revenue under the reporting standards. The clear policy intent of the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, however, is that it is a State tax collected by the Australian Government in an agency capacity. Accordingly, GST related items recorded in the Treasury's administered budget statements, fully offset GST related items recorded by the Australian Taxation Office so that at a consolidated level the GST is not recorded by the Australian Government.

## 5.2: BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental statement of financial performance for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>REVENUE</b>					
<b>Revenues from ordinary activities</b>					
Revenues from Government	124,144	134,151	127,216	119,767	119,834
Goods and services	48,061	48,351	48,687	48,561	49,500
Other	1,989	1,989	1,989	1,989	1,989
<b>Revenues from ordinary activities</b>	<b>174,194</b>	<b>184,491</b>	<b>177,892</b>	<b>170,317</b>	<b>171,323</b>
<b>EXPENSE</b>					
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>					
Employees	87,797	94,707	96,317	96,072	97,781
Suppliers	80,131	83,183	74,498	65,648	64,343
Depreciation and amortisation	5,658	5,993	6,469	7,989	8,591
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>	<b>173,586</b>	<b>183,883</b>	<b>177,284</b>	<b>169,709</b>	<b>170,715</b>
Borrowing costs expense	158	158	158	158	158
<b>Operating surplus or deficit from ordinary activities</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>
Income Tax Expense	450	450	450	450	450
<b>Net surplus or deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net surplus or deficit attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 5.2: Budgeted departmental statement of financial position as at 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	15,708	16,667	17,794	18,831	19,131
Receivables	26,028	28,228	28,523	29,973	30,828
<b>Total financial assets</b>	<b>41,736</b>	<b>44,895</b>	<b>46,317</b>	<b>48,804</b>	<b>49,959</b>
<b>Non-financial assets</b>					
Land and buildings	6,647	7,349	15,052	20,984	21,345
Infrastructure, plant and equipment	12,280	13,417	14,345	15,637	15,827
Inventories	15,532	15,532	15,532	15,532	15,532
Intangibles	2,168	2,226	3,600	3,132	3,361
Other non-financial assets	9,188	9,183	8,996	8,627	9,000
<b>Total non-financial assets</b>	<b>45,815</b>	<b>47,707</b>	<b>57,525</b>	<b>63,912</b>	<b>65,065</b>
<b>Total assets</b>	<b>87,551</b>	<b>92,602</b>	<b>103,842</b>	<b>112,716</b>	<b>115,024</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Leases	2,330	2,330	2,330	2,330	2,330
<b>Total interest bearing liabilities</b>	<b>2,330</b>	<b>2,330</b>	<b>2,330</b>	<b>2,330</b>	<b>2,330</b>
<b>Provisions</b>					
Employees	27,450	28,267	28,763	29,528	30,528
Other provisions	117	117	117	117	117
<b>Total provisions</b>	<b>27,567</b>	<b>28,384</b>	<b>28,880</b>	<b>29,645</b>	<b>30,645</b>
<b>Payables</b>					
Supplier payables	7,042	7,038	6,895	6,613	6,837
Other payables	3,244	3,239	3,076	2,757	3,831
<b>Total payables</b>	<b>10,286</b>	<b>10,277</b>	<b>9,971</b>	<b>9,370</b>	<b>10,668</b>
<b>Total liabilities</b>	<b>40,183</b>	<b>40,991</b>	<b>41,181</b>	<b>41,345</b>	<b>43,643</b>
<b>EQUITY*</b>					
<b>Parent entity interest</b>					
Contributed equity	17,045	21,288	32,338	41,048	41,058
Reserves	6,017	6,017	6,017	6,017	6,017
Retained surpluses	24,306	24,306	24,306	24,306	24,306
<b>Total parent entity interest</b>	<b>47,368</b>	<b>51,611</b>	<b>62,661</b>	<b>71,371</b>	<b>71,381</b>
<b>Total equity</b>	<b>47,368</b>	<b>51,611</b>	<b>62,661</b>	<b>71,371</b>	<b>71,381</b>
<b>Current assets</b>	<b>66,456</b>	<b>69,610</b>	<b>70,845</b>	<b>72,963</b>	<b>74,491</b>
<b>Non-current assets</b>	<b>21,095</b>	<b>22,992</b>	<b>32,997</b>	<b>39,753</b>	<b>40,533</b>
<b>Current liabilities</b>	<b>23,961</b>	<b>24,312</b>	<b>24,224</b>	<b>23,960</b>	<b>25,699</b>
<b>Non-current liabilities</b>	<b>16,222</b>	<b>16,679</b>	<b>16,957</b>	<b>17,385</b>	<b>17,944</b>

\* 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	51,221	53,167	53,675	53,560	54,808
Appropriations	119,706	132,078	126,922	118,293	118,979
GST receipts from the Australian Taxation Office	7,468	8,193	7,421	6,547	6,401
Other	82,406	82,241	85,589	85,485	86,583
<b>Total cash received</b>	<b>260,801</b>	<b>275,679</b>	<b>273,607</b>	<b>263,885</b>	<b>266,771</b>
<b>Cash used</b>					
Employees	89,259	93,890	95,821	95,307	96,781
Suppliers	86,218	90,977	81,634	72,019	70,413
Borrowing costs	608	608	608	608	608
Other	85,586	85,598	88,993	88,879	89,308
<b>Total cash used</b>	<b>261,671</b>	<b>271,073</b>	<b>267,056</b>	<b>256,813</b>	<b>257,110</b>
<b>Net cash from or used by operating activities</b>	<b>- 870</b>	<b>4,606</b>	<b>6,551</b>	<b>7,072</b>	<b>9,661</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	6,608	7,890	16,474	14,745	9,371
<b>Total cash used</b>	<b>6,608</b>	<b>7,890</b>	<b>16,474</b>	<b>14,745</b>	<b>9,371</b>
<b>Net cash from or used by investing activities</b>	<b>- 6,608</b>	<b>- 7,890</b>	<b>- 16,474</b>	<b>- 14,745</b>	<b>- 9,371</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	7,781	4,243	11,050	8,710	10
<b>Total cash received</b>	<b>7,781</b>	<b>4,243</b>	<b>11,050</b>	<b>8,710</b>	<b>10</b>
<b>Net cash from or used by financing activities</b>	<b>7,781</b>	<b>4,243</b>	<b>11,050</b>	<b>8,710</b>	<b>10</b>
<b>Net increase or decrease in cash held</b>	<b>303</b>	<b>959</b>	<b>1,127</b>	<b>1,037</b>	<b>300</b>
Cash at the beginning of the reporting period	15,405	15,708	16,667	17,794	18,831
Cash at the end of the reporting period	15,708	16,667	17,794	18,831	19,131

**Table 5.4: Departmental capital budget statement**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	2,965	4,243	11,050	8,710	10
Previous year's outputs	4,816	-	-	-	-
<b>Total capital appropriations</b>	<b>7,781</b>	<b>4,243</b>	<b>11,050</b>	<b>8,710</b>	<b>10</b>
<b>Represented by:</b>					
Purchase of non-financial assets	2,965	4,243	11,050	8,710	10
Other	4,816	-	-	-	-
<b>Total represented by</b>	<b>7,781</b>	<b>4,243</b>	<b>11,050</b>	<b>8,710</b>	<b>10</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	2,965	4,243	11,050	8,710	10
Funded internally by					
Departmental resources	3,643	3,647	5,424	6,035	9,361
<b>Total</b>	<b>6,608</b>	<b>7,890</b>	<b>16,474</b>	<b>14,745</b>	<b>9,371</b>

**Table 5.5: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)**

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2005</b>									
Gross book value	-	-	10,708	-	22,109	-	9,038	-	41,855
Accumulated depreciation	-	-	- 4,061	-	- 9,829	-	- 6,870	-	- 20,760
<b>Opening net book value</b>	-	-	6,647	-	12,280	-	2,168	-	21,095
Additions:									
by purchase	-	-	1,710	-	5,002	-	1,178	-	7,890
by finance lease	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	- 1,008	-	- 3,865	-	- 1,120	-	- 5,993
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	-	-	-	-	-
<b>As at 30 June 2006</b>									
Gross book value	-	-	12,418	-	27,111	-	10,216	-	49,745
Accumulated depreciation	-	-	- 5,069	-	- 13,694	-	- 7,990	-	- 26,753
<b>Closing net book value</b>	-	-	7,349	-	13,417	-	2,226	-	22,992

**Table 5.6: Schedule of budgeted revenues and expenses administered on behalf of Government for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimates 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Taxation</b>					
Goods and services tax	- 36,500,000	- 38,220,000	- 40,300,000	- 42,530,000	- 44,800,000
Other taxes	200,000	220,000	240,000	260,000	280,000
<b>Total taxation</b>	<b>- 36,300,000</b>	<b>- 38,000,000</b>	<b>- 40,060,000</b>	<b>- 42,270,000</b>	<b>- 44,520,000</b>
<b>Non-taxation</b>					
Revenues from Government	36,534,953	38,683,085	39,654,633	41,782,884	43,782,359
Goods and services	591,922	603,500	611,600	619,800	627,900
Interest	3,637	479	-	-	-
Dividends	694,000	1,185,000	985,000	1,050,000	1,168,000
Other sources of non-taxation revenues	198,462	155,576	144,600	148,331	148,421
<b>Total non-taxation</b>	<b>38,022,974</b>	<b>40,627,640</b>	<b>41,395,833</b>	<b>43,601,015</b>	<b>45,726,680</b>
<b>Total revenues administered on behalf of Government</b>	<b>1,722,974</b>	<b>2,627,640</b>	<b>1,335,833</b>	<b>1,331,015</b>	<b>1,206,680</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Grants	953,635	1,314,575	427,123	435,374	274,849
Write down and impairment of assets	- 395,000	- 390,000	- 415,000	- 430,000	- 445,000
Net foreign exchange losses	394,835	-	-	-	-
Other	31,318	28,510	27,510	27,510	27,510
<b>Total expenses administered on behalf of Government</b>	<b>984,788</b>	<b>953,085</b>	<b>39,633</b>	<b>32,884</b>	<b>- 142,641</b>

**Table 5.7: Schedule of budgeted assets and liabilities administered on behalf of Government as at 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash	3,288	3,288	3,288	3,288	3,288
Receivables	- 1,825,129	- 2,513,274	- 3,022,244	- 3,587,915	- 4,216,374
Investments	15,012,167	15,012,167	15,012,167	15,012,167	15,012,167
<b>Total financial assets</b>	<b>13,190,326</b>	<b>12,502,181</b>	<b>11,993,211</b>	<b>11,427,540</b>	<b>10,799,081</b>
<b>Non-financial assets</b>					
Other non-financial assets	221,722	2,243	2,227	2,227	2,227
<b>Total non-financial assets</b>	<b>221,722</b>	<b>2,243</b>	<b>2,227</b>	<b>2,227</b>	<b>2,227</b>
<b>Total assets administered on behalf of Government</b>	<b>13,412,048</b>	<b>12,504,424</b>	<b>11,995,438</b>	<b>11,429,767</b>	<b>10,801,308</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Interest bearing liabilities</b>					
Loans	3,722,997	3,722,997	3,722,997	3,722,997	3,722,997
Other	908,914	908,914	908,914	908,914	908,914
<b>Total interest bearing liabilities</b>	<b>4,631,911</b>	<b>4,631,911</b>	<b>4,631,911</b>	<b>4,631,911</b>	<b>4,631,911</b>
<b>Provisions</b>					
Suppliers	797	797	797	797	797
Other provisions	- 231,562	- 233,986	- 235,490	- 235,490	- 235,490
<b>Total provisions</b>	<b>- 230,765</b>	<b>- 233,189</b>	<b>- 234,693</b>	<b>- 234,693</b>	<b>- 234,693</b>
<b>Payables</b>					
Grants and subsidies	289,003	203,885	138,024	89,943	53,984
Other payables	3,752	3,752	3,752	3,752	3,752
<b>Total payables</b>	<b>292,755</b>	<b>207,637</b>	<b>141,776</b>	<b>93,695</b>	<b>57,736</b>
<b>Total liabilities administered on behalf of Government</b>	<b>4,693,901</b>	<b>4,606,359</b>	<b>4,538,994</b>	<b>4,490,913</b>	<b>4,454,954</b>

**Table 5.8: Schedule of budgeted administered cash flows for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Rendering of services	591,922	603,500	611,600	619,800	627,900
Interest	3,637	479	-	-	-
Dividends	1,338,000	1,505,000	985,000	1,050,000	1,168,000
Cash from Official Public Account	36,642,026	38,765,703	39,717,994	41,828,465	43,815,818
Other	144,678	153,954	143,721	148,421	148,421
<b>Total cash received</b>	<b>38,720,263</b>	<b>41,028,636</b>	<b>41,458,315</b>	<b>43,646,686</b>	<b>45,760,139</b>
<b>Cash used</b>					
Grant payments	36,503,635	38,654,575	39,627,123	41,755,374	43,754,849
Cash to Official Public Account	2,078,237	2,262,933	1,740,321	1,818,221	1,944,321
Other	138,391	111,128	90,871	73,091	60,969
<b>Total cash used</b>	<b>38,720,263</b>	<b>41,028,636</b>	<b>41,458,315</b>	<b>43,646,686</b>	<b>45,760,139</b>
<b>Net cash from or used by operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Cash from Official Public Account	231,334	2,500	2,500	2,500	2,500
Repayments of advances	374,223	219,400	-	-	-
<b>Total cash received</b>	<b>605,557</b>	<b>221,900</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>
<b>Cash used</b>					
Purchase of equity instruments	11,934	2,500	2,500	2,500	2,500
Cash to Official Public Account	374,223	219,400	-	-	-
Advances to States and Territories	219,400	-	-	-	-
<b>Total cash used</b>	<b>605,557</b>	<b>221,900</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>
<b>Net cash from or used by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from borrowing	64,051	14,804	-	-	-
<b>Total cash received</b>	<b>64,051</b>	<b>14,804</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Cash to Official Public Account	64,051	14,804	-	-	-
<b>Total cash used</b>	<b>64,051</b>	<b>14,804</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from or used by financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase or decrease in cash held</b>					
Cash at beginning of reporting period	3,288	3,288	3,288	3,288	3,288
Cash at end of reporting period	3,288	3,288	3,288	3,288	3,288

Budgeted financial statements – Treasury

**Table 5.9: Schedule of administered capital budget**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Administered capital	7,278	2,500	2,500	2,500	2,500
Special appropriations	332,032	82,618	63,361	45,581	33,459
<b>Total capital appropriations</b>	339,310	85,118	65,861	48,081	35,959
<b>Represented by:</b>					
Other	339,310	85,118	65,861	48,081	35,959
<b>Total represented by</b>	339,310	85,118	65,861	48,081	35,959

**Table 5.10: Schedule of property, plant, equipment and intangibles — summary of movement (Budget Year 2005-06)**

This table is not applicable to the Treasury.

## **5.3: NOTES TO THE FINANCIAL STATEMENTS**

### **Basis of accounting**

The Treasury's budget statements have been prepared on an accrual basis and in accordance with the goods and services tax (GST) accounting guidelines of the Urgent Issues Group (UIG) of the Australian Accounting Standards Board. The UIG consensus requires that expenses and assets be accounted for net of recoverable GST, revenues be accounted for net of GST payable and that cash flows and accounts payable and receivable be reported gross. Appropriations are thus net of recoverable GST amounts.

### **Departmental and administered financial statements**

Under the Australian Government's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that departments control (departmental transactions) are separately budgeted for and reported on from transactions departments do not have control over (administered transactions). This ensures that departments are only held accountable for the transactions over which they have control.

Departmental assets, liabilities, revenues and expenses are those items that are controlled by the department. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the department in providing its goods and services.

Administered items are revenues, expenses, assets or liabilities which are managed by the department on behalf of the Australian Government according to set government directions. Administered expenses include subsidies, grants, and personal benefit payments and administered revenues include taxes, fees, fines and excises.

### **Royal Australian Mint**

The Treasury's departmental budget statements are aggregated to include the financial operations of the Royal Australian Mint (the Mint). Any profit earned by the Mint, taking into account working capital requirements, is returned to the Australian Government.

Seigniorage is collected by the Mint on behalf of the Australian Government. Seigniorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to the Mint. Seigniorage is treated as an administered item within the Treasury's administered budget statements.