

TREASURY

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TREASURY

Section 1: Overview

The Treasury seeks to promote a sound macroeconomic environment; effective government spending arrangements; effective taxation and retirement income 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
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.	Output Group 1.1 Macroeconomic Group
Outcome 2		
Effective government spending arrangements	Government spending 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
Outcome 3		
Effective taxation and retirement income arrangements	Taxation and retirement income arrangements contribute to the overall fiscal outcome and influence strong sustainable economic growth and the improved wellbeing of Australians.	Output Group 3.1 Revenue Group
Outcome 4		
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 4.1 Markets Group

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriations) and other resources for the Treasury in the 2006-07 Budget is \$39,563.1 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Treasury	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	SPPs \$'000	Other Appropriation \$'000	Other resources \$'000	
Outcome 1									
Sound macroeconomic environment	36,092	-	-	4,527	-	-	-	31,647	72,267
Outcome 2									
Effective government spending arrangements	15,775	-	-	270	-	19,504	-	39,130,000	39,165,549
Outcome 3									
Effective taxation and retirement income arrangements	42,326	-	-	676	-	-	-	-	43,001
Outcome 4									
Well functioning markets	38,800	-	-	2,212	5,000	168,492	-	-	214,503
Equity injections	-	276	-	-	-	-	-	-	276
Administered assets and liabilities	-	-	-	-	-	-	4,165	-	4,165
Special capital appropriation	-	-	-	-	-	-	-	63,361	63,361
Total	132,993	276	-	7,684	5,000	187,996	4,165	39,225,008	39,563,122

2.2 2006-07 BUDGET MEASURES

Budget measures relating to the Treasury as explained in Budget Paper No. 2, *Budget Measures 2006-07* 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	Output groups affected	2006-07 \$'000		2007-08 \$'000		2008-09 \$'000		2009-10 \$'000	
		Admin items	Dept outputs	Admin items	Dept outputs	Admin items	Dept outputs	Admin items	Dept outputs
Expense measures									
Council of Australian Governments - supporting its agenda (a)	2.1, 3.1, 4.1	-	3,752	-	3,148	-	-	-	-
Reform of state taxes - payment of Budget Balancing Assistance	2.1	(230,800)	-	(125,200)	-	-	-	-	-
Treasury - Review of Aspects of Income Tax Self Assessment	3.1	-	2,124	-	781	-	-	-	-
Total expense measures		(230,800)	5,876	(125,200)	3,929	(125,200)	-	-	-
Capital measures									
Council of Australian Governments - supporting its agenda (a)	2.1, 3.1, 4.1	-	241	-	-	-	-	-	-
Total capital measures		-	241	-	-	-	-	-	-
Non-tax revenue measures									
Goods and services tax - additional compliance activities	2.1	(10,553)	-	(17,805)	-	(17,805)	(18,017)	-	-
Total non-tax revenue measures		(10,553)	-	(17,805)	-	(17,805)	(18,017)	-	-
Total measures		(241,353)	6,117	(143,005)	3,929	(139,076)	(18,017)	-	-

(a) This is a cross portfolio measure with the Prime Minister and Cabinet Portfolio

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of other resources obtained by the Treasury for provision of goods or services. These resources are approved for use by the Treasury and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated resources 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	7,327	6,884
Other	800	800
Total departmental other resources available to be used	8,127	7,684

Note: Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The Treasury does not have any movement of administered funds from 2005-06 to 2006-07.

2.5 SPECIAL APPROPRIATIONS

Table 2.5 identifies expenses associated with special appropriations administered by the Treasury.

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
Estimated expenses			
<i>International Monetary Agreements Act 1947</i>	1	28,359	31,647
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	2	628,225	-
<i>Superannuation Industry (Supervision) Act 1993</i>	4	1,158	-
Total estimated expenses		657,742	31,647

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the Treasury.

Table 2.6: Estimates of special account flows and balances

		Opening balance 2006-07 2005-06	Credits 2006-07 2005-06	Debits 2006-07 2005-06	Closing balance 2006-07 2005-06
	Outcome	\$'000	\$'000	\$'000	\$'000
Australian Government Actuary Account	4	1,369 1,369	1,629 1,629	1,629 1,629	1,369 1,369
Lloyd's Deposit Trust Account	4	2,000 2,000	180 180	180 180	2,000 2,000
Trustee Companies (ACT) Deposits Trust Account	4	120 120	5 5	5 5	120 120
Other Trust Moneys Account	1,2,3,4	-	-	-	-
Services for other Governments and Non-Agency Bodies Account	1,2,3,4	-	-	-	-
Total special accounts					
2006-07 Budget estimate		3,489	1,814	1,814	3,489
Total special accounts 2005-06 estimated actual		3,489	1,814	1,814	3,489

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Treasury will receive administered capital appropriations of \$67.5 million in 2006-07. Of this amount, \$63.4 million is funded through special appropriations and \$4.2 million through Appropriation Bill No. 2. These capital appropriations relate to financial assets and liabilities (also refer to Table 5.10).

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

The Treasury will receive departmental capital appropriations of \$0.3 million. This relates to capital requirements for the Council of Australian Governments – supporting its agenda Budget measure, labour force participation – modelling and overseas security.

Section 3: Outcomes

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

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The Treasury has re-organised its outcomes from three to four for 2006-07. The previous Outcome 2 'Effective government spending and taxation arrangements' has been split into two outcomes; 'Effective government spending arrangements' and 'Effective taxation and retirement income arrangements' to better align Treasury's organisational and outcome structure. The previous Outcome 3 'Well functioning markets' will now become Outcome 4. This change in outcomes has also resulted in Treasury's outputs being revised.

Treasury's new outcomes and outputs structure is reflected on the next page in Figure 4.

Figure 4: Contributions to outcomes

<p>Department of the Treasury Secretary: Dr Ken Henry</p> <p>Total departmental resources: \$140.7 million Total departmental appropriations: \$133.0 million Total administered appropriations: \$39,354.6 million</p>	
<p>Overall outcome</p> <p>Strong, sustainable economic growth and the improved wellbeing of Australians</p>	
<p>Outcome 1</p> <p>Sound macroeconomic environment</p> <p>Total resources: \$40.6 million Departmental appropriations: \$36.1 million Administered appropriations: \$31.6 million</p>	<p>Outcome 2</p> <p>Effective government spending arrangements</p> <p>Total resources: \$16.0 million Departmental appropriations: \$15.8 million Administered appropriations: \$39,149.5 million</p>
<p>Outcome 3</p> <p>Effective taxation and retirement income arrangements</p> <p>Total resources: \$43.0 million Departmental appropriations: \$42.3 million Administered appropriations: nil</p>	<p>Outcome 4</p> <p>Well functioning markets</p> <p>Total resources: \$41.0 million Departmental appropriations: \$38.8 million Administered appropriations: \$173.5 million</p>
<p>Output Group 1.1</p> <p>Macroeconomic</p> <p>Output 1.1.1 Domestic economic policy advice and forecasting Resources: \$8.5 million</p> <p>Output 1.1.2 International economic policy advice and assessment Resources: \$32.1 million</p> <p>Output 2.1.1 Budget policy advice and coordination Resources: \$3.9 million</p>	<p>Output Group 2.1</p> <p>Fiscal</p> <p>Output 2.1.2 C'wealth- State financial policy advice Resources: \$2.9 million</p> <p>Output 2.1.3 Industry, environment and defence policy advice Resources: \$4.2 million</p> <p>Output 2.1.4 Social and income support policy advice Resources: \$5.1 million</p>
<p>Output Group 3.1</p> <p>Revenue</p> <p>Output 3.1.1 Taxation policy and legislation advice Resources: \$36.5 million</p> <p>Output 3.1.2 Retirement income and saving policy and legislation advice Resources: \$6.5 million</p> <p>Output 4.1.1 Foreign investment and trade policy advice and administration Resources: \$4.0 million</p>	<p>Output Group 4.1</p> <p>Markets</p> <p>Output 4.1.2 Financial system and corporate governance policy advice Resources: \$22.1 million</p> <p>Output 4.1.3 Competition and consumer policy advice Resources: \$13.3 million</p> <p>Output 4.1.4 Actuarial services Resources: \$1.6 million</p>

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, 2006-07

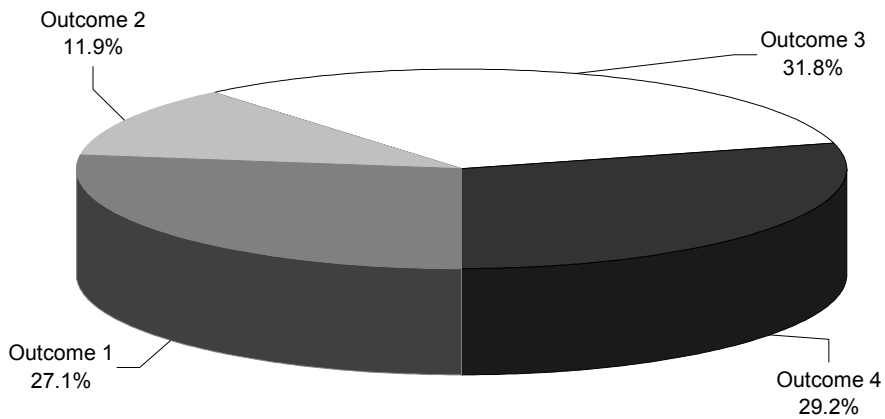
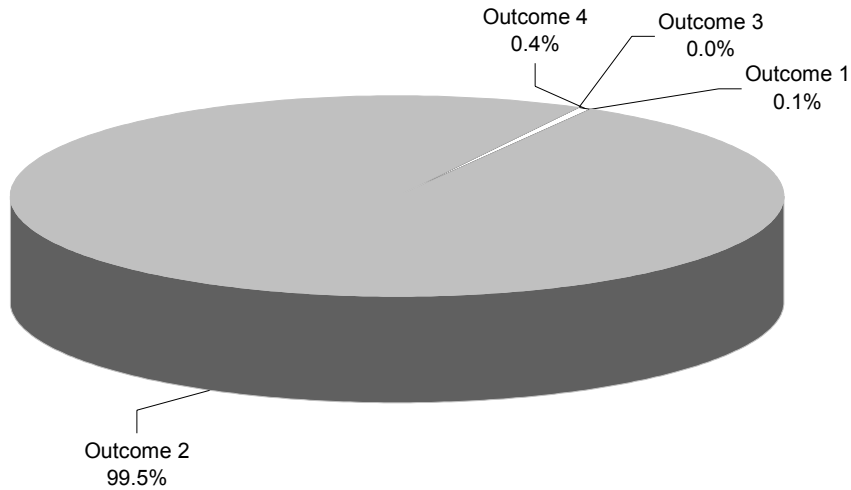


Figure 6: Administered appropriations by outcome, 2006-07



3.3 OUTCOMES AND PERFORMANCE

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 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 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Special appropriations		
<i>International Monetary Agreements Act 1947</i>	28,359	31,647
Total administered appropriations	28,359	31,647
Departmental appropriations		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	8,473	8,397
Output 1.1.2 - International economic policy advice and assessment	24,012	27,695
Total departmental appropriations	32,485	36,092
Departmental revenue from other sources		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	158	135
Output 1.1.2 - International economic policy advice and assessment	4,652	4,393
Total departmental revenue from other sources	4,810	4,527
Total departmental resources	37,295	40,620
Total resources for Outcome 1	65,654	72,267
	2005-06	2006-07
Average staffing level (number)	201	213

Note: For comparative purposes, the estimated actual for 2005-06 has been adjusted to reflect the new four outcomes structure.

Measures affecting Outcome 1

There are no measures affecting Outcome 1.

Contributions to achievement of Outcome 1

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. In particular, Treasury's priorities are to:

- examine domestic and international developments affecting the Australian economy and forecast the direction of the Australian and international economies; and
- assist in identifying 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.

The Treasury also provides advice on advancing Australia's interests at international forums and institutions. Treasury's priorities are to influence international policy outcomes in favour of growth enhancement and poverty reduction, open trade and investment regimes, and market-oriented public policy based on rule of law and strong institutions through:

- strengthening, effectively using and directly participating in international forums (including the World Bank, International Monetary Fund, Organisation for Economic Cooperation and Development, Asian Development Bank, the Group of Twenty (G-20), the Asia Pacific Economic Cooperation (APEC) process, Pacific Islands Forum Economic Ministers' Meeting and the East Asia Summit);
- playing a lead role in the Government's initiatives to improve economic governance in the Pacific, particularly, in Papua New Guinea, Solomon Islands and Nauru;
- engaging directly in a policy dialogue with key counterparts in East Asia, including hosting a forum for discussion of regional macroeconomic challenges; and
- providing technical assistance in the Asia-Pacific region.

Following on from 2005-06, an important focus for the Treasury in the coming year will be delivery of the meeting of the G-20 Ministers and Central Bank Governors in the second half of 2006, and continued preparation for the APEC Finance Ministers' Meeting in 2007.

Agency Budget Statements – Outcomes – Treasury

These key international meetings provide the opportunity to lead the international economic and financial agenda and the global debate on measures to strengthen the foundations for economic development, growth and stability.

- Treasury's priority is to effectively promote the G-20 2006 agenda and the role of the forum in global economic governance.
- Treasury is also working to develop effective, relevant and achievable policy outcomes and work programmes for both the G-20 and APEC.

The establishment of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) includes the \$50.0 million Government Partnerships Fund (GPF) to help Indonesia implement its economic, financial and public sector management reforms.

- Treasury is contributing to the oversight of implementation of the AIPRD and is also developing an engagement strategy under the GPF, focussing on developing close working relationships with the Indonesian Ministry of Finance in support of its key organisational challenges.

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

Performance indicators for administered items including third party outputs	
Subscriptions to international financial institutions	<p>Facilitation of achievement of government objectives in international forums, 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>
Performance indicators for individual outputs	
Output group 1: Macroeconomic	
Output group 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 macroeconomic environment.</p> <p>Effective presentation of budget documents and other publications to adequately inform public debate.</p> <p>Price: \$8.5 million</p>
Output group 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 forums 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 hosting of APEC meetings and associated workshops in 2007.</p> <p>Effective advice on, and direct support for, improving economic governance and policies and building capacity in Papua New Guinea, Solomon Islands and Nauru.</p> <p>Price: \$32.1 million</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 2006-07*.

Outcome 2 – Effective government spending arrangements

Government spending 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.

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 2006-07 Budget appropriations translate to total resourcing for Outcome 2, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1.2: Total resources for Outcome 2

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Annual appropriations		
Additional First Home Owners Scheme	1,317	2,304
Compensation for GST Revenue Foregone	346,400	17,200
Special appropriations		
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	37,728,225	39,130,000
Total administered appropriations	38,075,942	39,149,504
Departmental appropriations		
Output Group 2.1 - Fiscal Group		
Output 2.1.1 - Budget policy advice and coordination	4,484	3,789
Output 2.1.2 - Commonwealth-State financial policy advice	2,752	2,874
Output 2.1.3 - Industry, environment and defence policy advice	3,954	4,134
Output 2.1.4 - Social and income support policy advice	3,628	4,978
Total departmental appropriations	14,818	15,775
Departmental revenue from other sources		
Output Group 2.1 - Fiscal Group		
Output 2.1.1 - Budget policy advice and coordination	71	63
Output 2.1.2 - Commonwealth-State financial policy advice	56	50
Output 2.1.3 - Industry, environment and defence policy advice	83	74
Output 2.1.4 - Social and income support policy advice	74	83
Total departmental revenue from other sources	284	270
Total departmental resources	15,102	16,045
Total resources for Outcome 2	38,091,044	39,165,549
	2005-06	2006-07
Average staffing level (number)	111	121

Note: For comparative purposes, the estimated actual for 2005-06 has been adjusted to reflect the new four outcomes structure.

Measures affecting Outcome 2

A list of measures for Outcome 2 appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 2

Effective Government spending 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 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;
- Commonwealth-State financial policy, including implementing the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, and on the fiscal and economic positions of the State and Territory Governments, particularly in relation to the effectiveness of federally funded activities;
- 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; and
- 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.

In 2006-07, the Treasury will devote significant resources to:

- production of the *Final Budget Outcome 2005-06, Mid-Year Economic and Fiscal Outlook 2006-07, 2007-08 Budget*, and the next Intergenerational Report;
- 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); and
- providing advice under the framework for the National Reform Agenda, agreed by the Council of Australian Governments (COAG) in February 2006, particularly initiatives to boost participation and productivity including to:
 - encourage greater workforce participation, particularly by older Australians;
 - address skill shortages, including in regional Australia, by developing more flexible pathways into skills-shortages trades;
 - improve the health of Australians including through policies on preventative health, mental health and pandemic prevention and preparedness;
 - improve the effectiveness of the health system;

- improve early childhood programmes;
- improve the transition pathways from school to work;
- boost competition and productivity through reform initiatives in areas such as transport, energy, infrastructure regulation and planning and climate change technological innovation and adaptation; and
- improve the wellbeing of Australia’s indigenous population.

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 meets their needs in formulating, implementing and explaining government spending decisions.

Performance information for Outcome 2

Table 3.2.2: Performance information for Outcome 2

Performance information for administered items (including third party outputs)	
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>
Performance information for individual outputs	
Output Group 2.1 - Fiscal	
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>Price: \$3.9 million</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 budget documentation and other publications to adequately inform public debate.</p> <p>Price: \$2.9 million</p>
Output 2.1.3 - Industry, environment and defence policy advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to industry, environment and defence policy.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p>Price: \$4.2 million</p>
Output 2.1.4 - Social and income support policy advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to social policy, labour market and health policy issues.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p>Price: \$5.1 million</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 2006-07*.

Contributions to achievement of Outcome 3

Effective taxation and retirement income 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 decisions on taxation and retirement income arrangements.

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

- 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; and
- retirement income and saving issues, including superannuation, and other income support arrangements intended to promote the wellbeing of Australians.

In 2006-07, the Treasury will devote significant resources to:

- providing advice on those issues identified by the Australian Government as its key strategic priorities;
- developing 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 Aspects of Income Tax Self Assessment*;
- improving processes and outputs in the development of advice on taxation and retirement income policies (including consultation processes and design of legislation);
- contributing to the next *Intergenerational Report*;
- providing advice under the framework for the National Reform Agenda, agreed by the Council of Australian Governments (COAG) in February 2006, particularly initiatives to address the burden of legislative and administrative 'red tape' both within the current taxation and retirement income systems and in relation to proposals for change; and
- final stages in legislation relating to the taxation of financial arrangements and tax exempt asset financing, 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 taxation and retirement income decisions.

Performance information for Outcome 3

Table 3.2.3: Performance information for Outcome 3

Performance indicators for individual outputs	
Output Group 3.1 - Revenue	
Output group 3.1.1 - Taxation policy and legislation advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing decisions relating to taxation policy and legislation.</p> <p>Effective presentation of relevant information, including 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>Price: \$36.5 million</p>
Output group 3.1.2 - Retirement income and saving policy and legislation advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing decisions relating to retirement income and saving policy and legislation.</p> <p>Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.</p> <p>Law relating to retirement income and saving policy is developed in accordance with the principles for good law design.</p> <p>Legislation delivered according to Government programmes.</p> <p>Price: \$6.5 million</p>

Evaluations for Outcome 3

Feedback will be sought from key stakeholders on a regular basis on the effectiveness of policy advice. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2006-07*.

Outcome 4 — 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 where 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 4 resourcing

Table 3.1.4 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 4, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1.4: Total resources for Outcome 4

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Annual appropriations		
Compensation - companies regulation Housing Loans Insurance Company Limited - payments in respect of insurance claims	163,742 6,000	168,492 5,000
Special appropriations		
<i>Superannuation Industry (Supervision) Act 1993</i>	1,158	-
Total administered appropriations	170,900	173,492
Departmental appropriations		
Output Group 4.1 - Markets Group		
Output 4.1.1 - Foreign investment and trade policy advice and administration	3,990	3,962
Output 4.1.2 - Financial system and corporate governance policy advice	21,972	21,797
Output 4.1.3 - Competition and consumer policy advice	19,292	13,041
Output 4.1.4 - Actuarial services	-	-
Total departmental appropriations	45,254	38,800
Departmental revenue from other sources		
Output Group 4.1 - Markets Group		
Output 4.1.1 - Foreign investment and trade policy advice and administration	92	80
Output 4.1.2 - Financial system and corporate governance policy advice	307	267
Output 4.1.3 - Competition and consumer policy advice	235	235
Output 4.1.4 - Actuarial services	1,629	1,629
Total departmental revenue from other sources	2,264	2,212
Total departmental resources	47,517	41,011
Total resourcing for Outcome 4	218,417	214,503
	2005-06	2006-07
Average staffing level (number)	223	231

Note: For comparative purposes, the estimated actual for 2005-06 has been adjusted to reflect the new four outcomes structure.

Measures affecting Outcome 4

A list of measures for Outcome 4 appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 4

The Treasury provides advice to Portfolio Ministers to assist them to 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.

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

- policy relating to general foreign investment and trade, including foreign investment proposals;
- policy relating to the financial system, corporations, and the financial services sector, including a range of initiatives to improve the frameworks for corporate insolvency and corporate groups;
- policy relating to a sound and efficient prudential framework with particular emphasis on banking, insurance and superannuation;
- policy relating to structural reform in key sectors of the economy, including energy, transport and communications, in conjunction with other government departments and agencies; and
- policy relating to competition and consumer policy matters, including legislative amendments to the *Trade Practices Act 1974*.

In 2006-07, the Treasury will devote significant resources to:

- improving regulation and competition in the financial sector by facilitating well-functioning and competitive financial markets, particularly by addressing banking competition and insurance market issues, improving the effectiveness of regulation, developing a single economic market with New Zealand in banking and insurance services, monitoring market supervision issues and responding to the assessment of Australia's financial system by the International Monetary Fund;
- implementing trade, investment and competition policy priorities in relation to the Government's commitment to negotiate four free trade agreements – China, Association of South East Asian Nations (ASEAN), Malaysia and the United Arab Emirates – as well as the negotiation of an investment protocol under the Closer Economic Relations Agreement (CER) with New Zealand. Other priorities include progressing trade and investment issues in Asia-Pacific Economic Cooperation (APEC), the Group of Twenty (G-20) and World Trade Organization (WTO);
- monitoring international and local compliance with foreign investment and trade policies, including by processing foreign investment applications, and further examining reform options with a focus on reducing compliance and administrative costs;
- representing Australia's interests in forums such as the Organisation for Economic Co-operation and Development (OECD) and APEC;
- international cooperation in financial system regulation, corporate governance, financial reporting, auditing, and corporate insolvency including the development

of ways to further integrate the Australian and United States (US) financial services sectors, with a focus on regulatory recognition, including through the Financial Services Committee established under the Australia – US Free Trade Agreement;

- improving the regulatory framework for corporations and financial services, including by implementing reforms relating to corporate insolvency and corporate groups, reviewing the design of offences under the *Corporations Act 2001*, advising on the implementation of international financial reporting and auditing standards, implementing reforms to the *Insurance Contracts Act 1984*, and refining financial services reforms;
- implementing the reform agenda for competition policy, including implementing reforms relating to the *Review of the Competition Provisions of the Trade Practices Act* (the Dawson Review), the Senate small business report, criminal sanctions for cartels and the National Access Regime;
- providing advice under the framework for the National Reform Agenda, agreed by the Council of Australian Governments (COAG) in February 2006, that builds on the National Competition Policy arrangements particularly in the key infrastructure areas of energy, transport and infrastructure regulation and in best practice regulation;
- implementing Treasury's contribution to the Government's response to the Report of the Taskforce on reducing Regulatory Burdens on Business;
- reviewing the Australian consumer policy framework, in particular, the product safety framework and penalties available for consumer protection;
- developing and delivering a range of financial literacy initiatives that will build the capacity of Australians to better manage their money and to take advantage of significant reforms to the finance sector through the work of the Financial Literacy Foundation;
- maintaining successful operations of the Australian Government Actuary, Financial Reporting Panel, and the Takeovers Panel;
- providing secretariat services to the Financial Reporting Council, Financial Sector Advisory Committee, the Ministerial Council on Consumer Affairs, the Ministerial Council for Corporations and the Commonwealth Consumer Affairs Advisory Council; and
- providing support for Treasury Ministers when considering appointments to the statutory and non-statutory bodies within Outcome 4.

Performance information for Outcome 4

Table 3.2.4: Performance information for Outcome 4

Performance information for administered items (including third party outputs)	
Compensation - companies regulation payments to the States and the Northern Territory	Amounts payable, according to agreed formula, are accurately calculated. Payments are made according to agreed schedules.
Performance information for departmental outputs	
Output Group 4.1 - Markets	
Output 4.1.1 - Foreign investment and trade policy advice and administration	Advice meets Treasury portfolio Ministers' needs in fulfilling their responsibilities. Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums. Implementation of Australia's commitments on investment in the US Free Trade Agreement. Promote the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises and fulfil the responsibilities of the National Contact Point for the Guidelines. Proposals are processed efficiently to meet the needs of Ministers, the Foreign Investment Review Board, foreign investors and their agents. 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. 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. Price: \$4.0 million

Table 3.2.4: Performance information for Outcome 4 (continued)

<p>Output 4.1.2 - 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 effective.</p> <p>Ministerial correspondence handled satisfactorily.</p> <p>Price: \$22.1 million</p>
<p>Output 4.1.3 - 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>Price: \$13.3 million</p>
<p>Output 4.1.4 - Actuarial services</p>	<p>Efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria.</p> <p>Price: \$1.6 million</p>

Evaluations for Outcome 4

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2006-07*.

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 Treasury does not have specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

The Treasury is budgeting towards a breakeven operating result for 2006-07.

The Treasury will receive slightly less revenue in 2006-07 than in 2005-06. The small decrease in revenue reflects variations to 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 income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	134,040	132,993	123,054	118,962	120,055
Goods and services	7,327	6,884	6,884	6,884	6,884
Other	500	500	500	500	500
Total revenue	141,867	140,377	130,438	126,346	127,439
Gains					
Other	300	300	300	300	300
Total gains	300	300	300	300	300
Total income	142,167	140,677	130,738	126,646	127,739
EXPENSE					
Employees	89,703	91,729	85,155	82,363	85,485
Suppliers	48,681	45,165	41,800	40,500	38,471
Depreciation and amortisation	3,625	3,625	3,625	3,625	3,625
Finance costs	158	158	158	158	158
Total expenses	142,167	140,677	130,738	126,646	127,739
Operating result	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

**Table 5.2: Budgeted departmental balance sheet
as at 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	4,941	4,941	4,941	4,941	4,941
Receivables	38,235	38,530	39,980	40,835	41,960
Total financial assets	43,176	43,471	44,921	45,776	46,901
Non-financial assets					
Land and buildings	8,229	8,504	8,779	9,054	8,829
Infrastructure, plant and equipment	8,101	8,442	8,542	8,642	7,742
Intangibles	1,234	1,566	1,627	1,687	1,687
Other	1,500	1,500	1,500	1,500	1,500
Total non-financial assets	19,064	20,012	20,448	20,883	19,758
Total assets	62,240	63,483	65,369	66,659	66,659
LIABILITIES					
Interest bearing liabilities					
Leases	1,422	1,422	1,422	1,422	1,422
Total interest bearing liabilities	1,422	1,422	1,422	1,422	1,422
Provisions					
Employees	29,038	30,003	31,759	32,968	32,968
Total provisions	29,038	30,003	31,759	32,968	32,968
Payables					
Suppliers	2,500	2,500	2,500	2,500	2,500
Other	2,521	2,523	2,543	2,614	2,614
Total payables	5,021	5,023	5,043	5,114	5,114
Total liabilities	35,481	36,448	38,224	39,504	39,504
EQUITY					
Accumulated results	19,430	19,430	19,430	19,430	19,430
Reserves	3,644	3,644	3,644	3,644	3,644
Contributed equity	3,685	3,961	4,071	4,081	4,081
Total equity	26,759	27,035	27,145	27,155	27,155
Current assets	44,676	44,971	46,421	47,276	48,401
Non-current assets	17,564	18,512	18,948	19,383	18,258
Current liabilities	20,863	21,431	22,476	23,228	23,228
Non-current liabilities	14,618	15,017	15,748	16,276	16,276

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	7,827	7,384	7,384	7,384	7,384
Appropriations	131,967	132,698	121,604	118,107	118,930
Other	5,098	4,486	4,148	4,013	3,817
Total cash received	144,892	144,568	133,136	129,504	130,131
Cash used					
Employees	87,638	90,764	83,399	81,154	85,485
Suppliers	48,718	44,863	41,480	40,129	38,171
Financing costs	158	158	158	158	158
Other	4,872	4,486	4,148	4,013	3,817
Total cash used	141,386	140,271	129,185	125,454	127,631
Net cash from or (used by) operating activities	3,506	4,297	3,951	4,050	2,500
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	3,580	4,573	4,061	4,060	2,500
Total cash used	3,580	4,573	4,061	4,060	2,500
Net cash from or (used by) investing activities	(3,580)	(4,573)	(4,061)	(4,060)	(2,500)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	33	276	110	10	-
Total cash received	33	276	110	10	-
Cash used					
Other	7,901	-	-	-	-
Total cash used	7,901	-	-	-	-
Net cash from or (used by) financing activities	(7,868)	276	110	10	-
Net increase or (decrease) in cash held	(7,942)	-	-	-	-
Cash at the beginning of the reporting period	12,883	4,941	4,941	4,941	4,941
Cash at the end of the reporting period	4,941	4,941	4,941	4,941	4,941

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	19,430	3,644	-	3,685	26,759
Opening balance	19,430	3,644	-	3,685	26,759
Income and expense					
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	276	276
Sub-total transactions with owners	-	-	-	276	276
Estimated closing balance as at 30 June 2007	19,430	3,644	-	3,961	27,035

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	33	276	110	10	-
Total capital appropriations	33	276	110	10	-
Represented by:					
Purchase of non-financial assets	33	276	110	10	-
Total represented by	33	276	110	10	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	33	276	110	10	-
Funded internally by departmental resources	3,547	4,297	3,951	4,050	2,500
Total	3,580	4,573	4,061	4,060	2,500

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2006									
Gross book value	-	-	11,954	-	13,548	-	6,891	-	32,393
Accumulated depreciation	-	-	(3,725)	-	(5,447)	-	(5,657)	-	(14,829)
Opening net book value	-	-	8,229	-	8,101	-	1,234	-	17,564
Additions:									
by purchase	-	-	1,000	-	2,741	-	832	-	4,573
Depreciation/amortisation expense	-	-	(725)	-	(2,400)	-	(500)	-	(3,625)
As at 30 June 2007									
Gross book value	-	-	12,954	-	16,289	-	7,723	-	36,966
Accumulated depreciation	-	-	(4,450)	-	(7,847)	-	(6,157)	-	(18,454)
Estimated closing net book value	-	-	8,504	-	8,442	-	1,566	-	18,512

Table 5.7: Schedule of budgeted income and expenses administered on behalf of government for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Goods and services tax	(38,030,000)	(40,160,000)	(42,400,000)	(44,650,000)	(46,910,000)
Other taxes	170,000	160,000	190,000	210,000	240,000
Total taxation	(37,860,000)	(40,000,000)	(42,210,000)	(44,440,000)	(46,670,000)
Non-taxation					
Revenues from Government	38,275,201	39,354,643	41,527,550	43,712,769	45,903,187
Goods and services	605,888	619,100	632,900	639,200	627,900
Interest	479	-	-	-	-
Dividends	1,363,000	1,230,000	1,324,000	1,383,000	1,438,000
Other sources of non-taxation revenues	26,429	17,669	16,700	16,790	16,490
Total non-taxation	40,270,997	41,221,412	43,501,150	45,751,759	47,985,577
Total revenues administered on behalf of Government	2,410,997	1,221,412	1,291,150	1,311,759	1,315,577
Gains					
Net foreign exchange gains	85,161	-	-	-	-
Total gains administered on behalf of Government	85,161	-	-	-	-
Total income administered on behalf of Government	2,496,158	1,221,412	1,291,150	1,311,759	1,315,577
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	1,139,684	187,996	190,903	196,122	201,540
Write down and impairment of assets	(505,000)	(530,000)	(565,000)	(590,000)	(625,000)
Other	35,517	36,647	36,647	36,647	31,647
Losses					
Net foreign exchange losses	-	654	-	-	-
Total expenses administered on behalf of Government	670,201	(304,703)	(337,450)	(357,231)	(391,813)

Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government as at 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	9,089	9,089	9,089	9,089	9,089
Receivables	(2,286,974)	(2,990,478)	(3,381,149)	(3,784,608)	(4,184,178)
Investments	15,048,770	15,048,770	15,048,770	15,048,770	15,048,770
Total financial assets	12,770,885	12,067,381	11,676,710	11,273,251	10,873,681
Non-financial assets					
Other non-financial assets	32,929	2,127	2,127	2,127	2,127
Total non-financial assets	32,929	2,127	2,127	2,127	2,127
Total assets administered on behalf of Government	12,803,814	12,069,508	11,678,837	11,275,378	10,875,808
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Loans	3,864,716	3,863,705	3,862,617	3,862,073	3,862,073
Other	912,793	912,793	912,793	912,793	912,793
Total interest bearing liabilities	4,777,509	4,776,498	4,775,410	4,774,866	4,774,866
Provisions					
Suppliers	605	605	605	605	605
Other provisions	(449,906)	(451,410)	(451,410)	(451,410)	(451,410)
Total provisions	(449,301)	(450,805)	(450,805)	(450,805)	(450,805)
Payables					
Grants and subsidies	252,932	187,071	138,990	103,031	78,461
Other payables	5,278	5,278	5,278	5,278	5,278
Total payables	258,210	192,349	144,268	108,309	83,739
Total liabilities administered on behalf of Government	4,586,418	4,518,042	4,468,873	4,432,370	4,407,800

Table 5.9: Schedule of budgeted administered cash flows for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Rendering of services	605,888	619,100	632,900	639,200	627,900
Interest	479	-	-	-	-
Dividends	1,383,000	1,529,534	1,324,000	1,383,000	1,438,000
Other	32,770	16,790	16,790	16,790	16,490
Total cash received	2,022,137	2,165,424	1,973,690	2,038,990	2,082,390
Cash used					
Grant payments	38,239,684	39,317,996	41,490,903	43,676,122	45,871,540
Other	116,588	100,008	82,228	70,106	56,217
Total cash used	38,356,272	39,418,004	41,573,131	43,746,228	45,927,757
Net cash from or (used by) operating activities	(36,334,135)	(37,252,580)	(39,599,441)	(41,707,238)	(43,845,367)
INVESTING ACTIVITIES					
Cash received					
Repayment of Advances	219,400	30,786	-	-	-
Loans	14,804	-	-	-	-
Other	152,523	-	-	-	-
Total cash received	386,727	30,786	-	-	-
Cash used					
Advances made	30,786	-	-	-	-
Purchase of equity instruments	4,714	4,165	3,588	3,044	-
Total cash used	35,500	4,165	3,588	3,044	-
Net cash from or (used by) investing activities	351,227	26,621	(3,588)	(3,044)	-
Net increase or (decrease) in cash held	(35,982,908)	(37,225,959)	(39,603,029)	(41,710,282)	(43,845,367)
Cash at beginning of reporting period	9,089	9,089	9,089	9,089	9,089
Cash from Official Public Account	38,391,772	39,422,169	41,576,719	43,749,272	45,927,757
Cash to Official Public Account	2,408,864	2,196,210	1,973,690	2,038,990	2,082,390
Cash at end of reporting period	9,089	9,089	9,089	9,089	9,089

Table 5.10: Schedule of administered capital budget

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Administered capital	4,714	4,165	3,588	3,044	-
Special appropriations	113,404	63,361	45,581	33,459	24,570
Total capital appropriations	118,118	67,526	49,169	36,503	24,570
Represented by:					
Other	118,118	67,526	49,169	36,503	24,570
Total represented by	118,118	67,526	49,169	36,503	24,570

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

This table is not applicable to the Treasury.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

Treasury's budgeted statements have been prepared on an accrual basis in accordance with:

- Australian Government's financial budgeting and reporting framework;
- Australian Accounting Standards (AAS), being the Australian Equivalent to International Reporting Standards (AEIFRS); and
- Consensus Views of the Urgent Issues Group.

The budgeted income statement and balance sheet have been prepared in accordance with the historical cost convention, except certain assets, which are at valuation.

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.

