

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.

1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The outcome and output groups for the Treasury are summarised in the following table.

Table 1.1: Contribution to outcomes

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, that influence strong sustainable economic growth and improve the 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 strong 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 2007-08

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriation (including capital appropriations) and other resources for the Treasury in the 2007-08 Budget is \$42,271.6 million.

Table 2.1 on the following page shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2007-08

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	28,534	-	-	5,795	-	-	37,996	-	72,325
Outcome 2									
Effective government spending arrangements	17,171	-	-	320	-	2,399	41,850,000	-	41,869,890
Outcome 3									
Effective taxation and retirement income arrangements	43,286	-	-	764	-	-	-	-	44,050
Outcome 4									
Well functioning markets	49,000	-	-	2,429	5,000	173,204	-	-	229,633
Equity injections	-	110	-	-	-	-	-	-	110
Previous Years' Outputs Administered assets and liabilities	-	1,820	-	-	-	-	-	-	1,820
Total	137,991	1,930	-	9,308	5,000	175,603	41,887,996	-	42,271,601

2.2 2007-08 BUDGET MEASURES

Budget measures relating to the Treasury as explained in Budget Paper No. 2, *Budget Measures 2007-08* are summarised in the following table. The table also identifies the relevant output group, administered items and departmental outputs associated with each measure.

Table 2.2: Treasury measures

Measure	Output groups affected	Budget Estimate 2007-08 \$'000		Forward Estimate 2008-09 \$'000		Forward Estimate 2009-10 \$'000		Forward Estimate 2010-11 \$'000	
		Admin items	Dept outputs	Admin items	Dept outputs	Admin items	Dept outputs	Admin items	Dept outputs
Expense measures									
Treasury - additional resourcing	All	-	6,620	-	6,674	-	6,831	-	6,968
Suspending GST compensation	2.1	(18,200)	-	(19,100)	-	(20,093)	-	(21,139)	-
Australia-China Free Trade Agreement - continuation of negotiations ¹	4.1	-	286	-	299	-	-	-	-
Australia-Japan Free Trade Agreement - commencement of negotiations ¹	4.1	-	237	-	239	-	-	-	-
Understanding Money - building Australia's financial literacy	4.1	-	6,000	-	-	-	-	-	-
Financial Reporting Council - continuation of funding	4.1	-	-	-	-	-	-	-	-
Standard Business Reporting ²	4.1	-	-	-	-	-	-	-	-
Total expense measures		(18,200)	13,143	(19,100)	7,212	(20,093)	6,831	(21,139)	6,968
			(5,057)	(11,888)	(13,262)				(14,171)

2.3 OTHER RESOURCES AVAILABLE TO BE USED

The following table provides details of 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 2006-07 \$'000	Budget estimate 2007-08 \$'000
Departmental other resources		
Goods and services	8,467	8,660
Other	648	648
Total departmental other resources available to be used	9,115	9,308

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

2.4 MOVEMENT OF ADMINISTERED FUNDS

Table 2.4: Movement of administered funds between years

The Treasury does not have any movement of administered funds.

2.5 SPECIAL APPROPRIATIONS

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

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Estimated expenses 2006-07 \$'000	Budget estimate 2007-08 \$'000
Estimated special appropriation expenses			
<i>International Monetary Agreements Act 1947</i>	1	36,639	37,996
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i> ¹	2	(28,298)	-
<i>Superannuation Industry (Supervision) Act 1993</i>	4	1,477	-
Total estimated special appropriation expenses		9,818	37,996

¹ Further details are provided in Budget Paper No. 3, *Federal Financial Relations 2007-08*.

2.6 MOVEMENTS IN SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. The following table shows the expected additions (credits) and reductions (debits) for each account used by the Treasury. All of the Treasury's special accounts are departmental in nature.

Table 2.6: Estimates of special account cash flows and balances

		Opening balance 2007-08 2006-07	Credits 2007-08 2006-07	Debits 2007-08 2006-07	Closing balance 2007-08 2006-07
	Outcome	\$'000	\$'000	\$'000	\$'000
Actuarial Services Special Account	4	1,580 1,558	1,629 1,651	1,629 1,629	1,580 1,580
Lloyd's Deposit Trust Special Account	4	2,000 2,000	180 180	180 180	2,000 2,000
Other Trust Moneys Account	1,2,3,4	-	-	-	-
Services for other Governments and Non-Agency Bodies Account	1,2,3,4	-	-	-	-
Total special accounts					
2007-08 Budget estimate		3,580	1,809	1,809	3,580
<i>Total special accounts</i>					
<i>2006-07 estimated actual</i>		3,558	1,831	1,809	3,580

Section 3: Outcomes

General government sector (GGS) agencies are required to plan, budget and report under an outcomes structure. GGS agencies produce outputs (departmental items) and also administer items on behalf of the Government (administered items).

This section explains how the resources identified in Section 2 will be used to contribute to the four outcomes for the Treasury. Key performance measures and performance evaluation activities are specified for each outcome.

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between outputs of the Treasury and the four outcomes is summarised on the next page in Figure 2.

Figure 2: Contributions to outcomes

<p>Department of the Treasury Secretary: Dr Ken Henry AC</p> <p>Total departmental resources: \$147.3 million Total departmental appropriations: \$138.0 million Total administered appropriations: \$42,068.6 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: \$34.3 million Departmental appropriations: \$28.5 million Administered appropriations: \$38.0 million</p>	<p>Outcome 2</p> <p>Effective government spending arrangements</p> <p>Total resources: \$17.5 million Departmental appropriations: \$17.2 million Administered appropriations: \$41,852.4 million</p>
<p>Outcome 3</p> <p>Effective taxation and retirement income arrangements</p> <p>Total resources: \$44.1 million Departmental appropriations: \$43.3 million Administered appropriations: nil</p>	<p>Outcome 4</p> <p>Well functioning markets</p> <p>Total resources: \$51.4 million Departmental appropriations: \$49.0 million Administered appropriations: \$178.2 million</p>
<p>Output Group 1.1</p> <p>Macroeconomic</p> <p>Output 1.1.1 Domestic economic policy advice and forecasting Resources: \$9.8 million</p> <p>Output 1.1.2 International economic policy advice and assessment Resources: \$24.5 million</p> <p>Output 2.1.1 Budget policy advice and coordination Resources: \$4.2 million</p>	<p>Output Group 2.1</p> <p>Fiscal</p> <p>Output 2.1.2 C'wealth- State financial policy advice Resources: \$2.8 million</p> <p>Output 2.1.3 Industry, environment and defence policy advice Resources: \$4.6 million</p> <p>Output 2.1.4 Social and income support policy advice Resources: \$6.0 million</p>
<p>Output Group 3.1</p> <p>Revenue</p> <p>Output 3.1.1 Taxation policy and legislation advice Resources: \$37.1 million</p> <p>Output 3.1.2 Retirement income and saving policy and legislation advice Resources: \$7.0 million</p> <p>Output 4.1.1 Foreign investment and trade policy advice and administration Resources: \$5.1 million</p>	<p>Output Group 4.1</p> <p>Markets</p> <p>Output 4.1.2 Financial system and corporate governance policy advice Resources: \$23.6 million</p> <p>Output 4.1.3 Competition and consumer policy advice Resources: \$21.2 million</p> <p>Output 4.1.4 Actuarial services Resources: \$1.6 million</p>

3.2 OUTCOME RESOURCES AND PERFORMANCE INFORMATION

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.

3.2.1 Outcome 1 resourcing

The following table shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriations		
Special appropriations		
<i>International Monetary Agreements Act 1947</i>	36,639	37,996
Total administered appropriations	36,639	37,996
Departmental appropriations		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	8,841	9,628
Output 1.1.2 - International economic policy advice and assessment	27,301	18,906
Total departmental appropriations	36,142	28,534
Departmental revenue from other sources		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	177	195
Output 1.1.2 - International economic policy advice and assessment	5,560	5,600
Total departmental revenue from other sources	5,737	5,795
Total departmental resources	41,879	34,329
Total resources for Outcome 1	78,518	72,325
	2006-07	2007-08
Average staffing level (number)	211	187

3.2.2 Measures affecting Outcome 1

A list of measures appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2007-08*.

3.2.3 Contributions to achievement of Outcome 1

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

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

- domestic and international developments affecting the Australian economy and forecast the direction of the Australian and international economies;
- the setting of sound macroeconomic policies; and
- 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 to the Government on a range of international policy challenges, including strengthening multilateral regimes underpinning open trade and capital flows, supporting the development aspirations of developing countries, and shaping the evolution of the regional economic architecture.

In 2007-08, the Treasury will devote significant resources to:

- working with others to reform, strengthen and modernise key international forums (including the World Bank, International Monetary Fund, Organisation for Economic Cooperation and Development and Asian Development Bank);
- maintaining Treasury's leading role in shaping the Group of Twenty (G-20), the Asia Pacific Economic Cooperation (APEC) forum, and the East Asia Summit process;
- building on already close links with policy makers in key East Asian countries, including Japan, China and Indonesia;
- working closely with counterparts in the Indonesian Government in support of their reform efforts under the \$50 million Government Partnerships Fund (GPF), a key component of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development (AIPRD);

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- playing a role in Government initiatives to improve economic governance in the Pacific, particularly, in Papua New Guinea, Solomon Islands and Nauru, and the Pacific Islands Forum Economic Ministers' Meeting; and
- providing high quality, strategic policy support to selected countries in the Asia-Pacific region.

Following on from 2006-07, an important focus for the Treasury in the coming year will be preparation for the APEC Finance Ministers' Meeting in 2007, the Economic Committee meetings and associated workshops.

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 is working to develop effective, relevant and achievable policy outcomes and work programmes for APEC.
- Treasury's priority following the hosting of the G-20 in 2006 is to sustain efforts to promote it as the most effective global forum for dealing with major global economic and financial challenges, including through participation on the management troika in 2007 (comprising the current, past and future hosts of the G-20, currently South Africa, Australia and Brazil respectively).

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.

3.2.4 Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to Outcome 1 are summarised in Table 3.2.

Table 3.2: 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: \$9.8 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 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: \$24.5 million</p>

3.2.5 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 2007-08*.

Outcome 2 — Effective government spending arrangements

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

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

The following table shows how the 2007-08 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 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriations		
Annual appropriations		
Additional First Home Owners Scheme	-	2,399
Compensation for GST Revenue Foregone	17,200	-
Special appropriations		
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	39,551,702	41,850,000
Total administered appropriations	39,568,902	41,852,399
Departmental appropriations		
Output Group 2.1 - Fiscal Group		
Output 2.1.1 - Budget policy advice and coordination	3,747	4,078
Output 2.1.2 - Commonwealth-State financial policy advice	2,536	2,757
Output 2.1.3 - Industry, environment and defence policy advice	4,084	4,456
Output 2.1.4 - Social and income support policy advice	5,416	5,880
Total departmental appropriations	15,783	17,171
Departmental revenue from other sources		
Output Group 2.1 - Fiscal Group		
Output 2.1.1 - Budget policy advice and coordination	76	83
Output 2.1.2 - Commonwealth-State financial policy advice	41	45
Output 2.1.3 - Industry, environment and defence policy advice	87	94
Output 2.1.4 - Social and income support policy advice	89	98
Total departmental revenue from other sources	293	320
Total departmental resources	16,076	17,491
Total resources for Outcome 2	39,584,978	41,869,890
	2006-07	2007-08
Average staffing level (number)	122	122

Measures affecting Outcome 2

A list of measures appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2007-08*.

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, social 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 workforce participation and the competitiveness and productivity of Australian industries, thereby promoting higher levels of sustainable economic growth.

In 2007-08, the Treasury will devote significant resources to:

- developing budget policy advice and coordination, including:
 - production of the 2006-07 Final Budget Outcome, 2007-08 Mid Year Economic and Fiscal Outlook, 2008-09 Budget, and the Pre-election Economic and Fiscal Outlook.
- developing Commonwealth-State financial policy advice, including on:
 - interrelationships with other levels of government;

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- the fiscal and economic positions of the State and Territories, including the effectiveness of federally funded activities; and
- implementing the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations.
- developing industry, environment and defence policy advice, including advising on:
 - significant environmental policy issues including climate change, water reform and natural resource management;
 - regional and rural policies;
 - defence and national security issues;
 - energy policy; and
 - industry policy issues including innovation.
- developing social and income support policy advice, including advising on:
 - building human capital in areas such as health, early childhood development and education and improved workforce participation and productivity, including through the Council of Australian Governments (COAG) National Reform Agenda;
 - health policies;
 - labour market and work and family policies; and
 - policy frameworks in relation to Indigenous Australians.

The effectiveness of the contribution of these outputs to the outcome will be judged primarily by 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: \$4.2 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: \$2.8 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: \$4.6 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: \$6.0 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 2007-08*.

Outcome 3 — Effective taxation and retirement income arrangements

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

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 3 resourcing

The following table shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 3, including departmental appropriations and departmental revenue from other sources.

Table 3.1.3: Total resources for Outcome 3

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Departmental appropriations		
Output Group 3.1 - Revenue Group		
Output 3.1.1 - Taxation policy and legislation advice	35,654	36,427
Output 3.1.2 - Retirement income and saving policy and legislation advice	6,487	6,859
Total departmental appropriations	42,141	43,286
Departmental revenue from other sources		
Output Group 3.1 - Revenue Group		
Output 3.1.1 - Taxation policy and legislation advice	613	627
Output 3.1.2 - Retirement income and saving policy and legislation advice	126	137
Total departmental revenue from other sources	739	764
Total resources for Outcome 3	42,880	44,050
	2006-07	2007-08
Average staffing level (number)	308	296

Measures affecting Outcome 3

A list of measures appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2007-08*.

Contributions to achievement of Outcome 3

Effective taxation and retirement income arrangements are crucial to achieving the Australian Government's objectives for 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 Treasury will provide advice on:

- taxation policies and legislative design proposals which contribute to the reform of the Australian taxation system in term 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 improve the wellbeing of Australians.

In 2007-08, the Treasury will devote significant resources to:

- providing advice on those issues identified by the Government as its key strategic priorities;
- continuing to develop quantitative modelling to identify labour force participation effects of Government policy proposals, including tax and income support changes;
- meeting its obligations under the *Charter of Budget Honesty Act 1998*;
- continuing to implement decisions arising from the Australian Government's Review of Aspects of Income Tax Self Assessment;
- progress the review and renegotiation of tax treaties with key investment partners, pursue tax information exchange agreements with offshore financial centres, contribute to the tax policy work of the OECD and continue the programme of reform of Australia's international tax arrangements;
- final stages of implementation of the Australian Government's Simpler Superannuation measures; and
- continuing to improve processes and outputs in the development of advice on taxation and retirement income policies (including consultations processes and design of legislation).

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	Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing decisions relating to taxation policy and legislation. Effective presentation of relevant information, including budget documentation and other publications to adequately inform public debate. Tax law is developed in accordance with the principles for good law design. Legislation delivered according to Government programmes. Price: \$37.1 million
Output group 3.1.2 - Retirement income and saving policy and legislation advice	Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing decisions relating to retirement income and saving policy and legislation. Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate. Law relating to retirement income and saving policy is developed in accordance with the principles for good law design. Legislation delivered according to Government programmes. Price: \$7.0 million

Evaluations for Outcome 3

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 2007-08*.

Outcome 4 — Well functioning markets

Well functioning markets contribute to strong 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.

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

The following table shows how the 2007-08 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 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriations		
Annual appropriations		
Compensation - companies regulation	169,308	173,204
Housing Loans Insurance Company Limited - payments in respect of insurance claims	5,000	5,000
Special appropriations		
<i>Superannuation Industry (Supervision) Act 1993</i>	1,477	-
Total administered appropriations	175,785	178,204
Departmental appropriations		
Output Group 4.1 - Markets Group		
Output 4.1.1 - Foreign investment and trade policy advice and administration	4,113	4,944
Output 4.1.2 - Financial system and corporate governance policy advice	23,568	23,195
Output 4.1.3 - Competition and consumer policy advice	13,609	20,861
Output 4.1.4 - Actuarial services	-	-
Total departmental appropriations	41,290	49,000
Departmental revenue from other sources		
Output Group 4.1 - Markets Group		
Output 4.1.1 - Foreign investment and trade policy advice and administration	110	113
Output 4.1.2 - Financial system and corporate governance policy advice	371	387
Output 4.1.3 - Competition and consumer policy advice	285	316
Output 4.1.4 - Actuarial services	1,580	1,613
Total departmental revenue from other sources	2,346	2,429
Total departmental resources	43,636	51,429
Total resourcing for Outcome 4	219,421	229,633
	2006-07	2007-08
Average staffing level (number)	249	248

Measures affecting Outcome 4

A list of measures appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2007-08*.

Contributions to achievement of Outcome 4

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 Treasury will provide advice on:

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

In 2007 08, Treasury will devote significant resources to:

- implementing trade and investment policy priorities in relation to the Government's commitment to negotiate six free trade agreements – China, Japan, Association of South East Asian Nations (ASEAN), Malaysia, Japan, Chile and the Gulf Cooperation Council – to review the single economic market concept under the Closer Economic Relations Agreement (CER) with New Zealand as well as input into trade and investment issues in Asia-Pacific Economic Cooperation (APEC), 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;

- progressing a range of international cooperation issues, particularly with the United States and New Zealand, as well as enhancing international engagement with Indonesia;
- representing Australia's interest in forums such as the Organisation for Economic Co-operation and Development (OECD) and the Australia Pacific Economic Co-operation (APEC);
- progressing a dialogue with other APEC economies on financial sector reform, with a view to strengthening policy makers' understanding of issues, challenges and policy options for advancing the development of financial sectors and, in particular, private capital markets, in the region;
- 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, and further work on developing a single economic market with New Zealand in relation to corporate regulatory frameworks and financial services;
- improving the regulatory framework for corporations and financial services, including by implementing wide ranging reforms to simplify and reduce the regulatory burden on business, progressing reforms relating to corporate insolvency and corporate groups, financial reporting, financial services and financial markets, and, implementing reforms to the *Insurance Contracts Act 1984*;
- enhancing the arrangements and tools available to government to deal with distressed financial institutions;
- 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 and improving the effectiveness of regulation, developing a single economic market with New Zealand in banking services, and monitoring market supervision issues;
- developing and implementing the reform agenda for competition policy, including the competition and regulation streams of COAG's National Reform Agenda and advancing microeconomic reforms in key infrastructure markets including energy, transport and communications;
- implementing reforms relating to the competition and consumer provisions of the Trade Practices Act – including changes to legislation as a result of the

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Government response to the Senate small business report and the introduction of criminal sanctions for cartels – and contributing to the review of the Australian consumer policy framework;

- 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;
- providing support for Ministers in considering a range of appointments to statutory and non statutory bodies such as the Productivity Commission, the Australian Competition and Consumer Commission, and the Australian Securities and Investments Commission;
- providing secretariat services to the Financial Reporting Council, Foreign Investment Review Board, Financial Sector Advisory Committee, the Ministerial Council for Consumer Affairs, the Commonwealth Consumer Affairs Advisory Council; and
- maintaining successful operations of the Australian Government Actuary, Royal Australian Mint, Financial Reporting Panel, and the Takeovers Panel.

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: \$5.1 million
Output 4.1.2 - Financial system and corporate governance policy advice	Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to financial system and markets issues. Effective presentation of relevant information to adequately inform public debate. Statutory and other procedural requirements are met. Secretariat and executive services provided to advisory and external bodies are effective. Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, is effective. Ministerial correspondence handled satisfactorily. Price: \$23.6 million

Table 3.2.4: Performance Information for Outcome 4 (continued)

Output 4.1.3 - Competition and consumer policy advice	<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>Undertake a national financial literacy information program and website development.</p> <p>Support teachers in the delivery of financial literacy education in schools through professional development and facilitate inclusion of financial literacy in teaching and training programmes.</p> <p>Price: \$21.2 million</p>
Output 4.1.4 - Actuarial services	<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 2007-08*.

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 2007-08.

The Treasury will receive slightly more revenue in 2007-08 than in 2006-07. The increase 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 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME					
Revenue					
Revenues from Government	135,356	137,991	127,866	128,665	131,160
Goods and services	8,467	8,660	8,857	9,062	9,277
Other	250	250	250	250	250
Total revenue	144,073	146,901	136,973	137,977	140,687
Gains					
Other	398	398	399	400	400
Total gains	398	398	399	400	400
Total income	144,471	147,299	137,372	138,377	141,087
EXPENSE					
Employees	92,644	91,557	88,870	91,899	95,939
Suppliers	59,781	51,959	44,719	42,695	41,365
Depreciation and amortisation	3,625	3,625	3,625	3,625	3,625
Finance costs	158	158	158	158	158
Total expenses	156,208	147,299	137,372	138,377	141,087
Surplus (deficit) attributable to the Australian Government	(11,737)	-	-	-	-

Table 5.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS					
Financial assets					
Cash	1,997	1,997	1,997	1,997	1,997
Receivables	48,482	50,511	52,507	54,514	56,575
Total financial assets	50,479	52,508	54,504	56,511	58,572
Non-financial assets					
Land and buildings	7,433	7,708	7,983	7,758	7,533
Infrastructure, plant and equipment	8,482	8,582	8,682	7,782	6,882
Intangibles	1,142	1,203	1,263	1,263	1,263
Other	1,854	1,901	1,948	1,997	2,047
Total non-financial assets	18,911	19,394	19,876	18,800	17,725
Total assets	69,390	71,902	74,380	75,311	76,297
LIABILITIES					
Interest bearing liabilities					
Leases	1,192	1,192	1,192	1,192	1,192
Total interest bearing liabilities	1,192	1,192	1,192	1,192	1,192
Provisions					
Employees	31,139	33,428	35,782	36,595	37,460
Total provisions	31,139	33,428	35,782	36,595	37,460
Payables					
Suppliers	1,675	1,717	1,760	1,804	1,849
Other	2,805	2,876	2,947	3,021	3,097
Total payables	4,480	4,593	4,707	4,825	4,946
Total liabilities	36,811	39,213	41,681	42,612	43,598
Net assets	32,579	32,689	32,699	32,699	32,699
EQUITY					
Retained surpluses	24,974	24,974	24,974	24,974	24,974
Reserves	3,644	3,644	3,644	3,644	3,644
Contributed equity	3,961	4,071	4,081	4,081	4,081
Total equity	32,579	32,689	32,699	32,699	32,699
Current assets	52,333	54,409	56,452	58,508	60,619
Non-current assets	17,057	17,493	17,928	16,803	15,678
Current liabilities	19,156	19,221	19,227	19,227	19,227
Non-current liabilities	13,423	13,468	13,472	13,472	13,472

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	8,443	8,600	8,797	9,001	9,214
Appropriations	145,758	136,012	125,921	126,709	129,152
Other	219	218	218	216	216
Total cash received	154,420	144,830	134,936	135,926	138,582
Cash used					
Employees	90,801	89,273	86,522	91,091	95,080
Suppliers	59,274	51,448	44,206	42,177	40,844
Financing costs	158	158	158	158	158
Total cash used	150,233	140,879	130,886	133,426	136,082
Net cash from or (used by) operating activities	4,187	3,951	4,050	2,500	2,500
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	4,573	4,061	4,060	2,500	2,500
Total cash used	4,573	4,061	4,060	2,500	2,500
Net cash from or (used by) investing activities	(4,573)	(4,061)	(4,060)	(2,500)	(2,500)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	276	110	10	-	-
Total cash received	276	110	10	-	-
Net cash from or (used by) financing activities	276	110	10	-	-
Net increase or (decrease) in cash held	(110)	-	-	-	-
Cash at the beginning of the reporting period	2,107	1,997	1,997	1,997	1,997
Cash at the end of the reporting period	1,997	1,997	1,997	1,997	1,997

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007-08)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Estimated opening balance as at 1 July 2007					
Balance carried forward from previous period	24,974	3,644	-	3,961	32,579
Estimated opening balance	24,974	3,644	-	3,961	32,579
Income and expense					
Surplus (deficit) for the period	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	110	110
Sub-total transactions with owners	-	-	-	110	110
Estimated closing balance as at 30 June 2008	24,974	3,644	-	4,071	32,689

Treasury Budget Statement: Budgeted financial statements

Table 5.5: Departmental capital budget statement

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	276	110	10	-	-
Total loans	-	-	-	-	-
Previous year's outputs	-	1,820	-	-	-
Total capital appropriations	276	1,930	10	-	-
Represented by:					
Purchase of non-financial assets	276	110	10	-	-
Other	-	1,820	-	-	-
Total represented by	276	1,930	10	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	276	110	10	-	-
Funded internally by departmental resources	4,297	3,951	4,050	2,500	2,500
Total	4,573	4,061	4,060	2,500	2,500

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	\$'000	\$'000	\$'000	military	infrastructure	and cultural	software	intangibles	\$'000
		property		equipment	plant and	assets			\$'000
					equipment				
As at 1 July 2007									
Gross book value	-	-	11,943	-	14,649	-	4,192	-	30,784
Accumulated depreciation	-	-	(4,510)	-	(6,167)	-	(3,050)	-	(13,727)
Estimated opening net book value	-	-	7,433	-	8,482	-	1,142	-	17,057
Additions:									
by purchase	-	-	1,000	-	2,500	-	561	-	4,061
Depreciation/amortisation expense	-	-	(725)	-	(2,400)	-	(500)	-	(3,625)
As at 30 June 2008									
Gross book value	-	-	12,943	-	17,149	-	4,753	-	34,845
Accumulated depreciation	-	-	(5,235)	-	(8,567)	-	(3,550)	-	(17,352)
Estimated closing net book value	-	-	7,708	-	8,582	-	1,203	-	17,493

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Goods and services tax	(40,890,000)	(43,280,000)	(45,710,000)	(48,040,000)	(50,540,000)
Other taxes	170,000	190,000	210,000	230,000	240,000
Total taxation	(40,720,000)	(43,090,000)	(45,500,000)	(47,810,000)	(50,300,000)
Non-taxation					
Revenues from Government	39,764,126	42,068,599	44,420,528	46,669,962	49,074,517
Goods and services	618,792	635,900	644,500	633,600	639,300
Dividends	1,177,725	1,561,000	1,815,000	1,949,000	2,058,000
Other sources of non-taxation revenues	12,445	8,115	7,781	7,578	7,578
Total non-taxation	41,573,088	44,273,614	46,887,809	49,260,140	51,779,395
Total revenues administered on behalf of Government	853,088	1,183,614	1,387,809	1,450,140	1,479,395
Total income administered on behalf of Government	853,088	1,183,614	1,387,809	1,450,140	1,479,395
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	141,010	175,603	177,532	181,966	186,521
Write down and impairment of assets	(645,000)	(680,000)	(710,000)	(745,000)	(785,000)
Other	43,116	42,996	42,996	37,996	37,996
Losses					
Net foreign exchange losses	52,266	23	-	-	-
Total expenses administered on behalf of Government	(408,608)	(461,378)	(489,472)	(525,038)	(560,483)

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	7,736	7,736	7,736	7,736	7,736
Receivables	(9,304,938)	(9,865,360)	(10,456,187)	(11,071,187)	(11,736,187)
Investments	19,830,022	19,830,022	19,830,022	19,830,022	19,830,022
Total financial assets	10,532,820	9,972,398	9,381,571	8,766,571	8,101,571
Non-financial assets					
Other non-financial assets	2,322	2,316	2,316	2,316	2,316
Total non-financial assets	2,322	2,316	2,316	2,316	2,316
Total assets administered on behalf of Government	10,535,142	9,974,714	9,383,887	8,768,887	8,103,887
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Loans	3,774,211	3,773,080	3,772,515	3,772,515	3,772,515
Other	899,187	899,187	899,187	899,187	899,187
Total interest bearing liabilities	4,673,398	4,672,267	4,671,702	4,671,702	4,671,702
Provisions					
Suppliers	474	474	474	474	474
Other provisions	(482,750)	(483,085)	(483,485)	(483,485)	(483,485)
Total provisions	(482,276)	(482,611)	(483,011)	(483,011)	(483,011)
Payables					
Grants and subsidies	180,406	127,787	88,496	61,510	41,745
Other payables	6,342	6,342	6,342	6,342	6,342
Total payables	186,748	134,129	94,838	67,852	48,087
Total liabilities administered on behalf of Government	4,377,870	4,323,785	4,283,529	4,256,543	4,236,778

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Rendering of services	628,778	635,900	644,500	633,600	639,300
Dividends	1,477,259	1,561,000	1,815,000	1,949,000	2,058,000
Other	13,953	8,208	8,208	7,578	7,578
Total cash received	2,119,990	2,205,108	2,467,708	2,590,178	2,704,878
Cash used					
Grant payments	39,721,010	42,025,603	44,377,532	46,631,966	49,036,521
Other	123,049	93,115	79,787	64,982	57,761
Total cash used	39,844,059	42,118,718	44,457,319	46,696,948	49,094,282
Net cash from or (used by) operating activities	(37,724,069)	(39,913,610)	(41,989,611)	(44,106,770)	(46,389,404)
INVESTING ACTIVITIES					
Cash received					
Repayment of Advances	74,600	-	-	-	-
Total cash received	74,600	-	-	-	-
Cash used					
Purchase of equity instruments	4,230	3,654	3,065	-	-
Total cash used	4,230	3,654	3,065	-	-
Net cash from or (used by) investing activities	70,370	(3,654)	(3,065)	-	-
Net increase or (decrease) in cash held	(37,653,699)	(39,917,264)	(41,992,676)	(44,106,770)	(46,389,404)
Cash at beginning of reporting period	7,736	7,736	7,736	7,736	7,736
Cash from Official Public Account	39,848,289	42,122,372	44,460,384	46,696,948	49,094,282
Cash to Official Public Account	2,194,590	2,205,108	2,467,708	2,590,178	2,704,878
Cash at end of reporting period	7,736	7,736	7,736	7,736	7,736

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Table 5.10: Schedule of administered capital budget

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
CAPITAL APPROPRIATIONS					
Administered capital	18,230	53,773	39,856	26,986	19,765
Special appropriations	66,675	-	-	-	-
Total capital appropriations	84,905	53,773	39,856	26,986	19,765
Represented by:					
Other	84,905	53,773	39,856	26,986	19,765
Total represented by	84,905	53,773	39,856	26,986	19,765

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget Year 2007-08)

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.

