

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Agency overview	115
Section 2: Agency resources for 2005-06	116
2.1: Appropriations and other resources.....	116
2.2: 2005-06 Budget measures.....	118
2.3: Other revenues	120
2.4: Movement of administered funds from 2004-05 to 2005-06.....	121
2.5: Special appropriations.....	121
2.6: Special accounts	122
2.7: Administered capital and departmental equity injections and loans	123
Section 3: Agency outcomes	124
3.1: Summary of outcomes, outputs and administered items.....	124
3.2: Outcomes — departmental and administered	125
3.3: Outcomes resourcing.....	125
3.4: Measures affecting outcomes	126
Section 4: Other reporting requirements	129
4.1: Purchaser provider arrangements	129
4.2: Cost recovery arrangements.....	129
4.3: Australian Government Indigenous Expenditure	129
Section 5: Budgeted financial statements	130
5.1: Analysis of budgeted financial statements.....	130
5.2: Budgeted financial statements tables	132
5.3: Notes to the financial statements	141

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Agency overview

The Australian Office of Financial Management (AOFM), a 'prescribed agency' under the *Financial Management and Accountability Act 1997* (FMA), is responsible for the Australian Government's debt management activities.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time	The AOFM aims to manage the Australian Government's net debt portfolio at least cost over the medium term, subject to the Government's policies and risk preferences. It also aims to contribute to financial market efficiency by maintaining sufficient Commonwealth Government Securities on issue to support the Treasury bond futures market.	Output Group 1.1 Australian Office of Financial Management

Section 2: Agency resources for 2005-06

2.1: APPROPRIATIONS AND OTHER RESOURCES

The total appropriation for the Australian Office of Financial Management (AOFM) in the 2005-06 Budget is \$148,693.3 million, represented by departmental appropriations of \$8.1 million and administered appropriations of \$148,685.2 million. The administered appropriation comprises two components, appropriation for expenses of \$6,059.9 million and debt redemption and financial investment activity of \$142,625.3 million.

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

Table 2.1: Appropriations and other revenue 2005-06¹ ('000)

Outcome	Appropriations					Revenue from other sources ⁴		Total resources ⁶
	\$'000	\$'000	\$'000	\$'000	% ⁵	\$'000	% ⁵	\$'000
	Bill No. 1	Bill No. 2	Special approp ²	Total approp ³				
Outcome 1								
To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time								
Administered	10	-	148,685,166	148,685,176	100%	-	-	148,685,176
Departmental	8,089	-	-	8,089	99.8%	20	0.2%	8,109
Total agency	8,099	-	148,685,166	148,693,265		20		148,693,285
Departmental capital (equity injections)	-	-	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-
Total resources	8,099	-	148,685,166	148,693,265		20		148,693,285

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

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

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

4 Revenue from other sources includes FMA s.31 revenues and other non-appropriation revenues available to meet financial commitments of the agency. Detailed estimates are shown at Section 2, Table 2.3.

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

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

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

2.2: 2005-06 BUDGET MEASURES

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

Table 2.2: Australian Office of Financial Management measures

Measure	Outcome	Output groups affected	Appropriations budget			Appropriations forward estimate 2006-07			Appropriations forward estimate 2007-08			Appropriations forward estimate 2008-09		
			2005-06 \$'000			2006-07 \$'000			2007-08 \$'000			2008-09 \$'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Efficiency dividend — increase in the rate from 1 per cent to 1.25 percent ¹	1	1.1	-	- 20	- 20	-	- 41	- 41	-	- 61	- 61	-	- 61	- 61

¹ This is a cross portfolio measure. This table shows the AOFM contribution to the measure.

2.3: OTHER REVENUES

Table 2.3 provides details of estimated administered and departmental revenues for the AOFM for 2004-05 (estimated actual) and 2005-06 (Budget). Departmental revenues are eligible items under the AOFM's section 31 (FMA) net appropriation agreement and as a result can be applied to the AOFM's departmental activities. The AOFM's administered revenues are not available to meet financial commitments of the AOFM and are returned to the Official Public Account.

Table 2.3: Other revenues¹

	Estimated revenues 2004-05 \$'000	Budget estimate 2005-06 \$'000
Departmental revenues (other than appropriations)		
Goods and services	20	20
Total departmental revenues (other than appropriations)	20	20
Administered revenues (other than appropriations)		
<i>Financial Agreement Act 1994</i> - Interest paid by States and Northern Territory on other loans	10,847	633
<i>Financial Management and Accountability Act 1997</i> - Interest on financial assets	778,829	650,000
<i>Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts</i> - Interest on advances to States and Northern Territory	91,522	88,863
<i>Loans Securities Act 1919</i> - Gain on foreign exchange	10,425	-
<i>Loans Securities Act 1919</i> - Swaps interest	2,165,251	2,326,811
<i>States (Works and Housing Assistance) Acts</i> - Interest on advances to States	67,686	66,889
<i>War Service Lands Settlements Acts</i> - Interest on advances to States	269	233
Total administered revenues (other than appropriations)	3,124,829	3,133,429

¹ This table replaces the former table 'Receipts from independent sources'.

Departmental revenues comprise cost recovery arrangements from the States for securities registry services incurred by the AOFM for managing debt on allocation for the States.

Administered revenues include interest revenue on swap transactions and financial investments, interest on Commonwealth Government Securities allocated to the States and interest on other advances made to the States and the Northern Territory under Commonwealth – State financing arrangements.

Financial liabilities denominated in a foreign currency are converted to Australian dollar equivalents using actual exchange rates for closed-out positions and budget exchange rate assumptions for positions open at the time of preparing the budget estimates. Estimated net exchange rate gains arising from currency translations on foreign denominated bonds on issue are disclosed in Table 2.3.

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

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

This table is not applicable to the AOFM.

2.5: SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Estimated expenses 2004-05 \$'000	Budget estimate 2005-06 \$'000
Special appropriations			
<i>Airports (Transitional) Act 1996, section 78 - Interest</i>	1	-	-
<i>Australian National Railways Commission Sale Act 1997, section 67AW - Interest</i>	1	-	-
<i>Commonwealth Inscribed Stock Act 1911, section 6 - Loan flotation expenses</i>	1	150	150
<i>Commonwealth Inscribed Stock Act 1911, section 6 - Interest</i>	1	3,888,088	3,606,781
<i>Financial Agreement Act 1994, section 5 - Assistance to States for debt redemption¹</i>	1	31,909	220,040
<i>Financial Agreement Act 1994, section 5 - Contributions to the Debt Retirement Reserve Trust Account</i>	1	595	325
<i>Financial Management and Accountability Act 1997, section 39(9) - Repurchase premia</i>	1	43,771	-
<i>Loans Redemption and Conversion Act 1921, section 5 - Interest</i>	1	-	-
<i>Loans Securities Act 1919, section 4 - Interest</i>	1	10,000	4,000
<i>Loans Securities Act 1919, section 5B(2) - Interest on swaps</i>	1	1,985,049	2,225,108
<i>Moomba-Sydney Pipeline System Sale Act 1994, section 19(3) - Interest</i>	1	-	-
<i>Qantas Sale Act 1992, section 18 - Interest</i>	1	-	-
<i>Snowy Hydro Corporatisation Act 1997, section 22 - Interest</i>	1	8,382	3,480
<i>Treasury Bills Act 1914, section 6 - Interest</i>	1	-	-
Total special appropriation expenses		5,967,944	6,059,884
Annual appropriations		10	10
Total administered expenses		5,967,954	6,059,894

¹ Debt redemption assistance to the States ceases in 2005-06. The figure for 2005-06 represents the payment marking finalisation of the arrangements under the *Financial Agreement Act 1994*.

The commentary below summaries the key legislative mechanisms that establish the Australian Government's borrowing capacity.

The *Commonwealth Inscribed Stock Act 1911* and associated regulations represent the Australian Government's primary vehicle for the creation and issuance of domestic stock prescribed under the Act, including Treasury Fixed Coupon Bonds, Treasury Indexed Bonds and Treasury Notes.

The *Financial Agreement Act 1994* formalises revised debt redemption arrangements applying since 1 July 1990 between the Australian Government and the States and the Northern Territory. The Act prescribes the contributions to be made by the Australian Government, the States and the Northern Territory to meet the volume of maturing State and Northern Territory debt. The Act also establishes compensation payments by the Australian Government to the States and the Northern Territory as a result of the new arrangements.

The *Loans Securities Act 1919* (as amended by the *Loans Securities Amendment Act 1988*) provides the Australian Government with additional borrowing flexibility, by allowing overseas borrowings and borrowings in foreign currencies and by providing an explicit authority to enter into swaps and other financial arrangements.

2.6: SPECIAL ACCOUNTS

Table 2.6: Estimates of special account flows and balances

		Opening balance	Receipts	Payments	Closing balance
	A ⁽¹⁾	2005-06	2005-06	2005-06	2005-06
	B ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
	Outcome	\$'000	\$'000	\$'000	\$'000
Debt Retirement Reserve Trust	1	1,616	129,061	130,677	-
Account		204	76,417	75,005	1,616
Total special accounts					
2005-06 Budget estimate		1,616	129,061	130,677	-
Total special accounts					
2004-05 estimated actual		204	76,417	75,005	1,616

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

Until July 1990, the Australian Government borrowed on behalf of the State and Territory Governments and allocated a portion of its Treasury Bond raisings to those Governments to fund the redemption of previous allocations of bond raisings. Until 1986, the Australian Government also borrowed on behalf of the State and Territory Governments to raise new borrowings.

The annual funding of the redemption of the State and Territory allocated debt is governed by the *Financial Agreement Act 1994* which requires the Australian Government to establish and maintain the Debt Retirement Reserve Trust Account (DRRTA), a special account, for the States and the Northern Territory. Monies standing to the credit of a State or the Northern Territory are applied by the Australian

Government in connection with the repurchase and repayment of the debt of that State or the Northern Territory.

The Act prescribes the contributions to be made by the Australian Government, the States and the Northern Territory to the DRRTA to meet the volume of maturing debt.

2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The AOFM is not seeking an equity injection or loan in the 2005-06 Budget.

The AOFM will carryover into 2005-06 unspent equity injections from previous financial years for the acquisition and maintenance of a specialist debt management system.

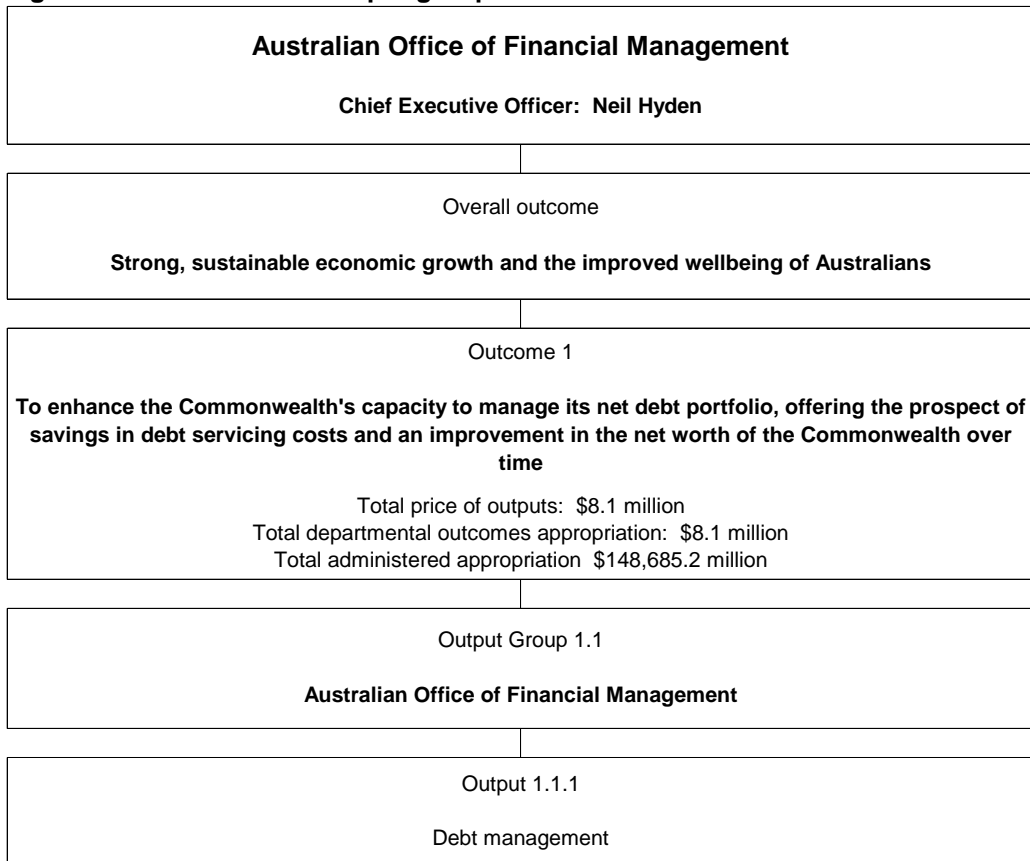
Section 3: Agency outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items that contribute to the outcome for the Australian Office of Financial Management (AOFM).

3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS

The AOFM delivers a single output – debt management – which is fixed to a single outcome. The relationship between the activities of the AOFM and its outcome/output structure is summarised in Figure 4.

Figure 4: Outcomes and output groups and administered items



3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The AOFM has only one outcome, namely, ‘to enhance the Commonwealth’s capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time’. The total appropriation for this outcome for 2005-06 is \$148,693.3 million.

Figure 5: Departmental appropriations by outcome, 2005-06

This figure is not applicable to the AOFM.

Figure 6: Administered appropriations by outcome, 2005-06

This figure is not applicable to the AOFM.

3.3: OUTCOMES RESOURCING

Outcome 1 description

To enhance the Commonwealth’s capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time.

Outcome 1 resourcing

Table 3.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources (Departmental only) and the total price of outputs.

Table 3.1: Total resources for Outcome 1 (\$'000)

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
Administered appropriations		
Special Appropriation - to Debt Retirement Reserve Trust Account	595	325
Other Special Appropriations	167,329,365	148,684,841
Annual Appropriations	10	10
Total administered appropriations	167,329,970	148,685,176
Special Accounts (estimated payments from Special Account balances)¹		
Debt Retirement Reserve Trust Account - s21 FMA Act ²	75,005	130,677
Total Special Account outflows	75,005	130,677
Departmental appropriations		
Output Group 1.1 - Australian Office of Financial Management		
Output 1.1.1 - Debt management	8,119	8,089
Total revenue from government (appropriations)		
Contributing to price of departmental outputs	8,119	8,089
Revenue from other sources		
Goods and services	20	20
Total revenue from other sources	20	20
Total price from departmental outputs		
(Total revenue from government and from other sources)	8,139	8,109
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	167,338,109	148,693,285
	2004-05	2005-06
Average staffing level (number)	34	35

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

2 Where names of Acts have been abbreviated, the full name of the Act can be found in the Acts Glossary.

3.4: MEASURES AFFECTING OUTCOMES

Measures affecting Outcome 1

	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Efficiency dividend — increase in the rate from 1 per cent to 1.25 per cent ¹	- 20	- 41	- 61	- 61

¹ This is a cross portfolio measure. This table shows the AOFM contribution to the measure.

Details of this measure is included in *Budget Paper No. 2, Budget Measures 2005-06*.

Outcome 1 contribution of outputs

The AOFM delivers a single output – debt management. Debt management encompasses the execution of instruments including Treasury Fixed Coupon Bonds, Treasury Indexed Bonds, Treasury Notes and associated derivatives. It also encompasses risk management activities, compliance activities, financial reporting, debt administration and the monitoring of conditions in Treasury bond and futures markets.

The debt portfolio is managed in line with the risk preferences and requirements of key stakeholders. Debt management activities comply with applicable accounting standards and legislative requirements.

Performance information for Outcome 1

Table 3.2: Performance information for Outcome 1

Effectiveness - Overall achievement of the Outcome	
Debt issued by the Australian Government (including Commonwealth Government Securities allocated to States and Territories) and debt assumed from Australian Government agencies.	<p>Achievement of the Australian Government's financing task in a cost-effective manner, subject to the Government's policies and risk preferences.</p> <p>An efficient Treasury bond market that supports an efficient Treasury bond futures market.</p>
Performance information for agency outputs	
Output Group 1.1 - Australian Office of Financial Management	
Output 1.1.1 - Debt management	<p>Cost of Australian Government debt portfolio.</p> <p>Timely production of reports on debt management activities.</p> <p>Efficient execution of the Australian Government's borrowing activities. Partial indicators include the narrowness of the range of accepted bids and of the basis point spread between tender and secondary market yields.</p> <p>Efficient management of the Australian Government's cash balances. Indicators include adherence to limits on cash balances over the course of the year.</p> <p>Price: \$8.1 million</p>

Evaluations for Outcome 1

Feedback will be sought on a regular basis from financial markets and key clients on the effectiveness of debt issuance and the efficiency of the Commonwealth Government Securities bond and futures markets. The appropriateness of the benchmark portfolio will also be reviewed. Results of evaluations will be presented, as appropriate, in the AOFM's Annual Report.

Section 4: Other reporting requirements

4.1: PURCHASER PROVIDER ARRANGEMENTS

The Australian Office of Financial Management (AOFM) does not have purchaser/provider arrangements in place.

4.2: COST RECOVERY ARRANGEMENTS

The AOFM does not carry out significant ongoing cost recovery arrangements. Consequently, the AOFM has not produced a Cost Recovery Impact Statement.

4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

This table is not applicable to the AOFM.

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Statement of Financial Performance

Since inception as a separate agency in July 1999, the AOFM has been developing its resource base and functionality. Continuous improvements are being made in achieving best practice in policy, systems and methodology in the areas of financial market operations and risk management. The growth of the AOFM over the past five years has been rapid with expenditure reflecting start up costs including significant investment in agency infrastructure (primarily Information Technology hardware and software), additional staffing and moving to new premises in December 2000. The budget and forward years reflect planned periods of consolidation when revenue and operating expenses are expected to be largely unchanged.

Statement of Financial Position

The AOFM's net asset (or equity) position is forecast to remain constant over the Budget and forward years, reflecting that current funding levels are expected to be adequate to support the AOFM's current operations during this period.

The AOFM forecasts that during the forward estimates period it will need to make renewed capital investment in agency infrastructure. Some further capital expenditure, particularly in relation to systems, both for development and replacement, is expected in the forward estimates period. Sufficient funding has been provided for this future capital investment from accumulated unspent outputs appropriations (depreciation funding) and equity injections.

Administered

Following the Government's decision, announced in the 2003-04 Budget, to maintain the market in Commonwealth Government Securities (CGS), the AOFM aims to contribute to financial market efficiency by maintaining sufficient Treasury bonds on issue to support the Treasury bond futures market. This will require ongoing issuance of bonds at the middle and long end of the yield curve. The Administered Budget and forward estimates reflect this Government decision.

The AOFM executes interest rate swap transactions to manage the cost and risk of the net debt portfolio according to a benchmark approved by the Treasurer. The Administered Budget and forward estimates incorporate the interest rate swap program.

The Australian Government holds surplus funds as term deposits with the Reserve Bank of Australia. Estimates of these asset holdings have been included in the Administered Budget and forward estimates. The Future Fund is managed by the Future Fund Management Agency in the Finance and Administration Portfolio and its asset holdings are not included in the AOFM's administered budget and forward estimates.

5.2: BUDGETED FINANCIAL STATEMENTS TABLES

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

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
REVENUE					
Revenues from ordinary activities					
Revenues from Government	8,119	8,089	8,149	8,206	8,302
Goods and services	20	20	-	-	-
Revenues from ordinary activities	8,139	8,109	8,149	8,206	8,302
EXPENSE					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	4,072	4,111	4,383	4,647	4,914
Suppliers	3,022	3,243	3,011	3,009	2,838
Depreciation and amortisation	755	755	755	550	550
Expenses from ordinary activities (excluding borrowing costs expense)	7,849	8,109	8,149	8,206	8,302
Operating surplus or deficit from ordinary activities	290	-	-	-	-
Net surplus or deficit	290	-	-	-	-
Net surplus or deficit attributable to the Australian Government	290	-	-	-	-

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

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
ASSETS					
Financial assets					
Cash	1,503	2,451	1,402	2,165	2,887
Receivables	6,107	6,107	6,107	6,107	6,107
Total financial assets	7,610	8,558	7,509	8,272	8,994
Non-financial assets					
Infrastructure, plant and equipment	933	682	1,432	1,182	932
Intangibles	1,264	760	1,256	956	656
Other non-financial assets	165	165	165	165	165
Total non-financial assets	2,362	1,607	2,853	2,303	1,753
Total assets	9,972	10,165	10,362	10,575	10,747
LIABILITIES					
Provisions					
Employees	966	1,159	1,356	1,569	1,741
Other provisions	100	100	100	100	100
Total provisions	1,066	1,259	1,456	1,669	1,841
Payables					
Suppliers	140	140	140	140	140
Other payables	112	112	112	112	112
Total payables	252	252	252	252	252
Total liabilities	1,318	1,511	1,708	1,921	2,093
EQUITY*					
Parent entity interest					
Contributed equity	3,423	3,423	3,423	3,423	3,423
Reserves	138	138	138	138	138
Retained surpluses or accumulated deficits	5,093	5,093	5,093	5,093	5,093
Total parent entity interest	8,654	8,654	8,654	8,654	8,654
Total equity	8,654	8,654	8,654	8,654	8,654
Current assets	1,957	2,905	1,856	2,619	3,341
Non-current assets	8,015	7,260	8,506	7,956	7,406
Current liabilities	434	468	495	526	503
Non-current liabilities	884	1,043	1,213	1,395	1,590

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

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

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	20	20	-	-	-
Appropriations	8,119	8,089	8,149	8,206	8,302
Total cash received	8,139	8,109	8,149	8,206	8,302
Cash used					
Employees	3,947	3,918	4,186	4,435	4,742
Suppliers	3,022	3,243	3,012	3,008	2,838
Other	-	-	-	-	-
Total cash used	6,969	7,161	7,198	7,443	7,580
Net cash from or used by operating activities	1,170	948	951	763	722
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	-	-	2,000	-	-
Total cash used	-	-	2,000	-	-
Net cash from or used by investing activities	-	-	- 2,000	-	-
Net increase or decrease in cash held	1,170	948	- 1,049	763	722
Cash at the beginning of the reporting period	333	1,503	2,451	1,402	2,165
Cash at the end of the reporting period	1,503	2,451	1,402	2,165	2,887

Table 5.4: Departmental capital budget statement

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	-	-	2,000	-	-
Total	-	-	2,000	-	-

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

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2005									
Gross book value	-	-	-	-	1,564	-	2,680	-	4,244
Accumulated depreciation	-	-	-	-	- 631	-	- 1,416	-	- 2,047
Opening net book value	-	-	-	-	933	-	1,264	-	2,197
Additions:									
by purchase	-	-	-	-	-	-	-	-	-
by finance lease	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	- 251	-	- 504	-	- 755
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	-	-	-	-	-
As at 30 June 2006									
Gross book value	-	-	-	-	1,564	-	2,680	-	4,244
Accumulated depreciation	-	-	-	-	- 882	-	- 1,920	-	- 2,802
Closing net book value	-	-	-	-	682	-	760	-	1,442

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

	Estimated actual 2004-05 \$'000	Budget estimates 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT					
Non-taxation					
Interest	3,114,404	3,133,429	3,489,569	4,160,268	4,598,482
Net foreign exchange gains	10,425	-	-	-	-
Total non-taxation	3,124,829	3,133,429	3,489,569	4,160,268	4,598,482
Total revenues administered on behalf of Government	3,124,829	3,133,429	3,489,569	4,160,268	4,598,482
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	32,504	220,365	-	-	-
Interest	5,935,300	5,839,379	5,685,424	5,317,108	4,672,365
Other	150	150	150	150	150
Total expenses administered on behalf of Government	5,967,954	6,059,894	5,685,574	5,317,258	4,672,515

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

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	1,761	1,761	1,761	1,761	1,761
Receivables	3,649,698	3,434,574	3,348,041	3,259,390	3,168,130
Investments (s.39 FMA Act)	22,153,000	12,794,000	30,194,000	49,957,000	68,316,000
Accrued revenues	134,293	55,120	91,129	122,427	170,310
Total financial assets	25,938,752	16,285,455	33,634,931	53,340,578	71,656,201
Total assets administered on behalf of Government	25,938,752	16,285,455	33,634,931	53,340,578	71,656,201
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Commonwealth Government Securities	55,741,000	54,598,000	54,545,000	56,454,000	56,271,000
Total interest bearing liabilities	55,741,000	54,598,000	54,545,000	56,454,000	56,271,000
Provisions					
Interest	3,423,000	2,856,000	3,090,000	3,289,000	3,350,000
Total provisions	3,423,000	2,856,000	3,090,000	3,289,000	3,350,000
Total liabilities administered on behalf of Government	59,164,000	57,454,000	57,635,000	59,743,000	59,621,000

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

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	3,057,747	3,202,946	3,472,997	4,224,184	4,626,033
Total cash received	3,057,747	3,202,946	3,472,997	4,224,184	4,626,033
Cash used					
Grant payments	32,504	220,365	-	-	-
Interest and other costs	5,730,645	6,584,612	5,695,509	5,421,328	4,825,255
Total cash used	5,763,149	6,804,977	5,695,509	5,421,328	4,825,255
Net cash from or used by operating activities	- 2,705,402	- 3,602,031	- 2,222,512	- 1,197,144	- 199,222
INVESTING ACTIVITIES					
Cash received					
Repayments of advances	82,209	84,406	86,533	88,651	91,260
Total cash received	82,209	84,406	86,533	88,651	91,260
Net cash from or used by investing activities	82,209	84,406	86,533	88,651	91,260
FINANCING ACTIVITIES					
Cash received					
Debt and investment receipts	154,650,853	151,159,739	124,346,498	120,747,856	122,166,306
Cash from Official Public Account	161,405,787	142,625,282	141,575,000	138,394,000	140,570,000
Total cash received	316,056,640	293,785,021	265,921,498	259,141,856	262,736,306
Cash used					
Debt and investment payments	161,362,016	142,625,282	141,575,000	138,394,000	140,570,000
Cash to Official Public Account	154,650,853	151,159,739	124,346,498	120,747,856	122,166,306
Other	43,771	-	-	-	-
Total cash used	316,056,640	293,785,021	265,921,498	259,141,856	262,736,306
Net cash from or used by financing activities	-	-	-	-	-
Net increase or decrease in cash held	- 2,623,193	- 3,517,625	- 2,135,979	- 1,108,493	- 107,962
Cash at beginning of reporting period	1,761	1,761	1,761	1,761	1,761
Cash from Official Public Account for Appropriations	5,763,149	6,804,977	5,695,509	5,421,328	4,825,255
Cash to Official Public Account for Receipts	3,139,956	3,287,352	3,559,530	4,312,835	4,717,293
Cash at end of reporting period	1,761	1,761	1,761	1,761	1,761

Budgeted financial statements – AOFM

Table 5.9: Schedule of administered capital budget

This table is not applicable to the AOFM.

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

This table is not applicable to the AOFM.

5.3: NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention. No allowance is made for the effect of changing prices on the results or the financial position of the AOFM.

The Australian Accounting Standards Board (AASB) has issued replacement Australian Accounting Standards to apply from the 2005-06 financial year. The new standards are the AASB equivalents to International Financial Reporting Standards (IFRS) which are issued by the International Accounting Standards Board. The standards being replaced are to be withdrawn with effect from 2005-06, but will continue to apply in the meantime. The AOFM's Budget financial statements have been prepared in accordance with existing and not the replacement standards.

Administered internal transactions

Administered transactions between the AOFM and other agencies within the general government (administered internal transactions) are not reported in the schedule of budgeted administered revenues and expenses or the schedule of budgeted administered assets and liabilities.

However, for the purposes of disclosing all cash flows through AOFM's administered bank accounts, cash flows in the schedule of budgeted administered cash flows are reported inclusive of administered internal transactions.

Goods and services tax (GST)

All supplies provided by the AOFM are input taxed under *A New Tax System (Goods and Services Tax) Act 1999*.

Budgeted departmental and administered financial statements

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

Under the Australian Government's accrual budgeting framework, transactions that agencies control (agency transactions) are separately budgeted for and reported from transactions agencies do not have control over (administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

Budgeted financial statements – AOFM

- Agency assets, liabilities, revenues and expenses are those which are controlled by the agency. Agency expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services to Government.
- Administered assets, liabilities, revenues and expenses are those which are managed on behalf of the Australian Government according to set government directions. Administered expenses include interest incurred on CGS. Administered revenues include interest earned on housing agreement loans, interest on investments and interest from swaps.

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided to the AOFM for:

- agency price of outputs appropriations: representing the Australian Government's purchase of outputs; and
- administered expense appropriations: for the repayment of interest on lapsed coupons not supported by special appropriation.

Special appropriations continue under the accrual budgeting framework and fund the majority of administered payments made by the AOFM, including debt redemption, interest payments and financial investment activity.

Budgeted departmental financial performance

Appropriations

Price of outputs appropriation estimates are not based on market price indicators. The agreed price of outputs appropriation is based on Budget Process Operational Rules, whereby the AOFM's output appropriation is adjusted for wage cost indexation less efficiency dividend.

For financial years from 2005-06 to 2007-08 (inclusive), the Government has imposed an additional 0.25 per cent efficiency dividend on agencies, bringing the efficiency dividend to 1.25 per cent for these financial years. The Government is expecting to review the efficiency dividend arrangements in the 2008-09 Budget.

Budgeted departmental financial position

Cash

The estimated cash reserves will be maintained to ensure that the AOFM is well placed to:

- settle employee liabilities as they fall due;

- make asset replacements (from depreciation funding and equity injection); and
- repay liabilities.

Budgeted financial statements have been prepared on the assumption that unspent monies will not be withdrawn by the Department of Finance and Administration.

Administered notes of budgeted financial statements

Revenues and expenses

Non-taxation revenue — interest

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
Interest					
Interest on housing agreements	159,477	155,985	152,382	148,668	144,838
Interest on State and Northern Territory debt	10,847	633	-	-	-
Interest from other sources	2,944,080	2,976,811	3,337,187	4,011,600	4,453,644
Total interest	3,114,404	3,133,429	3,489,569	4,160,268	4,598,482

Interest from other sources includes interest from swaps and investments.

Expenses — grants

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
Grants					
Grants to State and Northern Territory Governments	32,504	220,365	-	-	-
Total grants	32,504	220,365	-	-	-

Expenses — interest

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
Interest					
Interest on Government securities	3,898,098	3,610,791	3,529,550	3,523,192	3,353,742
Interest on swaps	1,985,049	2,225,108	2,153,912	1,791,954	1,316,661
Interest on other debt	8,382	3,480	1,962	1,962	1,962
Net repurchase premia	43,771	-	-	-	-
Total interest	5,935,300	5,839,379	5,685,424	5,317,108	4,672,365

Assets and Liabilities

Interest bearing liabilities — Commonwealth Government Securities

Commonwealth Government Securities represent the capital value of government securities, including debt assumed from Australian Government agencies, on issue.

Financial assets — receivables

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
Receivables					
Loans to State and Northern Territory Governments	3,649,698	3,434,574	3,348,041	3,259,390	3,168,130
Total receivables	3,649,698	3,434,574	3,348,041	3,259,390	3,168,130