

PART 5: OTHER INFORMATION

Structure of the AOFM’s portfolio	151
Funding	152
Appropriations and other sources of funding.....	153
Advertising and market research.....	155
Grant programs	155
Freedom of information	155
Ecologically sustainable development	157

OTHER INFORMATION

Structure of the AOFM's portfolio

The assets and liabilities managed by the AOFM and held on its administered balance sheet as at the end of June 2009 were Commonwealth Government Securities (Treasury Bonds, Treasury Indexed Bonds, Treasury Notes and other securities), short-term money market investments, term deposits placed with the Reserve Bank of Australia, residential-mortgage backed securities (RMBS), housing advances to the States under the Commonwealth-State Housing Agreements and interest rate swaps.¹

For financial and risk management purposes, these assets and liabilities are allocated between four portfolios: the Long-Term Debt Portfolio, the RMBS Portfolio, the Housing Advances Portfolio and the Cash Management Portfolio. This allocation recognises the different objectives, risks and management approach required in each area.

The **Long-Term Debt Portfolio** contains debt denominated in Australian dollars and in foreign currencies. It includes Commonwealth Government Securities (other than Treasury Notes issued for cash management purposes), and residual interest rate swaps that were previously used to manage the cost and risk of the Portfolio. For part of 2008-09 it also included assets purchased with the proceeds of 'additional' Treasury Bond issuance. These assets have subsequently been sold.

As no borrowings have been undertaken in foreign currencies since 1987 the Portfolio holds only a residual amount of foreign currency debt.

The volume of the Long-Term Debt Portfolio was adjusted over the course of the financial year to smooth the impact of discontinuities that would otherwise be produced by large transactions in the issuance of Treasury Bonds and maturities. This was achieved through short-term internal transfers between the Portfolio and the Cash Management Portfolio.

The **RMBS Portfolio** contains residential mortgage-backed securities purchased by the AOFM under the Government's policy to maintain competition in lending for housing.

The **Housing Advances Portfolio** comprises loans for public housing made by the Commonwealth to the States and Territories. These loans, which were not evidenced by the

¹ Until 1 January 2009 the AOFM also invested monies for the Communications Fund on behalf of the Department of Broadband, Communications and the Digital Economy.

issue of securities, were made under previous Commonwealth-State financing arrangements. The last maturity is due on 30 June 2042.

The **Cash Management Portfolio** manages the within-year variability in the Australian Government's financing requirement due to within-year mismatches in the timing of Government receipts and outlays. It contains all the assets and liabilities not held in the other three portfolios.

Funding

Table 1 places the AOFM's asset and liability management activities in 2008-09 in the context of the overall flow of funds for the Australian Government General Government Sector. Flows managed by the AOFM are shown in green.

Table 1: General Government Sector funding requirement and funding sources

Source of funds	Actual 2008-09 (\$billion)	Use of funds	Actual 2008-09 (\$billion)
		Headline budget balance	31.3
Debt issuance[a]		Debt redemption[a]	
Treasury Bonds	36.4	Maturing CGS debt	5.1
Treasury Indexed Bonds	0.0	Early CGS debt repurchases	..
Treasury Notes (net)	16.5	Other general government sector redemptions (net)	0.2
Total	52.9	Total	5.3
Financial assets		Other applications of funds	
Change in short-term asset holdings	1.6	Swap interest (net)	0.2
Total	1.6	Other (net)[b]	0.3
		Total	0.5
		Financial assets	
		Change in Official Public Account balance at the RBA	..
		Change in other general government sector investments	17.4
		Total	17.4
Total	54.4	Total	54.4

(a) Cash flows rather than face value of securities.

(b) Includes other general government sector flows not elsewhere classified.

(c) Not all totals may sum exactly due to rounding.

(d) .. not zero but less than \$0.05 billion.

Appropriations and other sources of funding

Table 2 summarises the gross resources applied by the AOFM in 2008-09 and budgeted for 2009-10, both from appropriations and other sources and for recurrent and capital purposes.

Agency recurrent funding is used to meet operating expenses such as employee remuneration and supplier payments.

Administered recurrent funding is used to meet operating expenses such as interest on Australian Government debt and swap interest payments.

Capital funding is used to meet the cost of maturing Australian Government debt and to make investments.

Table 2: AOFM gross appropriations and other funding

	Budget(b) 2008-09 (\$'000)	Actual 2008-09 (\$'000)	Budget 2009-10 (\$'000)
FUNDING FOR CURRENT PURPOSES			
ADMINISTERED EXPENSES(a)			
Annual appropriations	10	-	10
Special appropriations	4,828,134	4,963,376	6,425,400
Total administered appropriations	4,828,144	4,963,376	6,425,410
DEPARTMENTAL			
Annual appropriations	8,467	8,467	12,638
Total revenue from government (appropriations) contributing to price of agency outputs	8,467	8,467	12,638
Percentage of total price of outputs	87.1%	86.0%	92.1%
Revenue from other sources			
Other sources	1,256	1,379	1,089
Total revenue from other sources	1,256	1,379	1,089
Total price of agency outputs	9,723	9,846	13,727
Total resourcing - recurrent purposes	4,837,867	4,973,222	6,439,137
FUNDING FOR CAPITAL PURPOSES(c)			
ADMINISTERED			
Special appropriations	366,599,310	404,005,877	373,654,000
Total administered appropriations	366,599,310	404,005,877	373,654,000
AGENCY			
Agency equity injections(d)	-	-	-
Total resourcing - capital purposes	366,599,310	404,005,877	373,654,000
Total resourcing for AOFM Outcome(e)	371,437,177	408,979,099	380,093,137
Administered	371,427,454	408,969,253	380,079,410
Departmental	9,723	9,846	13,727
	Budget(a) 2008-09	Actual 2008-09	Budget 2009-10
Average staffing level (number)	31	30	43

(a) Excludes unrealised fair value revaluations.

(b) The Budget figure for 2008-09 is the 'estimated actual 2008-09 balance' reported in the *Portfolio Budget Statements 2009-10*.

(c) Excludes repayments of debt made on behalf of the State and Territory governments through the Debt Retirement Reserve Trust Account, a special account governed by the *Financial Agreement Act 1994*.

(d) During 2008-09 the AOFM did not use any agency equity injections.

(e) Part 1: AOFM overview specifies the AOFM outcome.

Advertising and market research

During the 2008-09 financial year, the AOFM made no payments to advertising agencies for campaign advertising. The AOFM had a total expenditure of \$63,430 to advertising agencies for non-campaign advertising (recruitment) in the 2008-2009 financial year. The following table lists individual expenditures of \$10,900 or more in that category.

Table 3: 2008-09 non-campaign advertising expenditure \$10,900 or more

Entity	Cost
HMA Blaze	\$11,010

Grant programs

Under the *Financial Agreement Act 1994* the Commonwealth is required to contribute to the Debt Retirement Reserve Trust Account to assist the State and Northern Territory governments to redeem maturing debt on allocation to them. Monies standing to the credit of this Account are held for the purposes prescribed by the *Financial Agreement Act 1994*.

The contributions made by the Commonwealth are accounted for as grants.

Freedom of information

Section 8 of the *Freedom of Information Act 1982* requires agencies to publish information about:

- their organisation and decision making powers;
- what arrangements they make for public involvement in their work;
- what types of documents they hold; and
- how the public can access these documents.

Freedom of information matters in respect of the AOFM are handled by the Treasury and the statement required under section 8 of the *Freedom of Information Act 1982* appears in the Treasury Annual Report. In this material, references to 'Department' encompass the AOFM. Additional details that relate specifically to the AOFM are provided below.

Organisation and decision-making

Details of the AOFM's organisational structure are provided in Figure 1 in Part 1 of this report. Its functions and decision-making are outlined in the section on AOFM's role, functions,

outcome and output structure in Part 1 of this report and the section on senior management committees in Part 3.

The Treasurer has delegated powers to AOFM officials under the following legislation:

- *Commonwealth Inscribed Stock Act 1911* and the *Commonwealth Inscribed Stock Regulations*;
- *Loans Securities Act 1919*;
- *Financial Management and Accountability Act 1997*; and
- other Acts with regard to appropriations as set out in Note 27 of the financial statements included in this report.

The Minister for Finance and Deregulation has delegated powers to the Chief Executive Officer of the AOFM under the *Financial Management and Accountability Act 1997* and the *Financial Management and Accountability Regulations*.

The Minister for Broadband, Communications and the Digital Economy and the Minister for Finance and Deregulation have authorised the Chief Executive Officer of the AOFM to make investments for the Communications Fund under the *Telecommunications (Consumer Protection and Service Standards) Act 1999*. This authorisation operated until 1 January 2009 when the Communications Fund was closed.

Arrangements for public involvement

The AOFM consults informally with financial market participants and investors affected by its activities. It also obtains advice from the AOFM Advisory Board, described in Part 3 of this report, which includes three members from the financial sector. Information on the Agency can be found on its website www.aofm.gov.au and enquiries can be sent via post or email.

The AOFM does not issue Commonwealth Government Securities directly to the public, but small parcels of these securities may be purchased or sold through the Reserve Bank of Australia. Larger volumes may be traded through professional financial institutions.

Documents held by the AOFM

The AOFM holds correspondence, contracts and agreements, records of transactions, analysis and advice, financial and statistical data, and drafts and internal working documents prepared by its staff and relating to its functions of issuing and managing debt, investment and cash management. It also holds personnel records, organisation and staffing records, financial and expenditure records, and office procedures and instructions.

The AOFM places an indexed list of its policy file titles on the AOFM website every six months.

Access to documents

Applicants seeking access under the *Freedom of Information Act 1982* to AOFM documents should apply in writing to:

The Secretary
The Treasury
Langton Crescent
PARKES ACT 2600
Attention: Freedom of Information Coordinator

If a member of the public requests a document and the Treasury approves access, the Treasury will provide copies of documents after the applicant pays any charges. Alternatively, applicants may arrange to inspect documents at the Treasury, Langton Crescent, Parkes, ACT between 9.00 am and 5.00 pm, Monday to Friday (except public and public service holidays).

An application fee of \$30 or a written request, pursuant to subsection 30A(1) of the *Freedom of Information Act*, that the application fee be waived should accompany requests. Telephone enquiries should be directed to the Freedom of Information Coordinator, telephone 02 6263 2111, between 9.00 am and 5.00 pm Monday to Friday (except public or public service holidays).

Officers of the SES in Treasury can grant or refuse requests for access to documents under section 23 of the *Freedom of Information Act*. In accordance with section 54 of the Act, an applicant may, within 30 days of receiving notification of a decision under the Act, apply to the Secretary to the Treasury, seeking an internal review of a decision to refuse a request. The prescribed fee of \$40 should accompany the application. Treasury Executive Directors are authorised under section 23 to consider and make decisions on applications for internal review.

Freedom of information activity

The AOFM received no requests for access to documents under the *Freedom of Information Act* in 2008-09.

Ecologically sustainable development

The AOFM's operations have an impact on the environment through the use of energy, water and other materials, and the generation of waste. Procurement and facilities management services are provided to the AOFM by Treasury under a Service Level Agreement. Information on the environmental impact of these services is published in the Treasury's Annual Report.

