Part 4

Financial statements

Independent Auditor's Report

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury (the Entity) for the year ended 30 June 2021:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter	How the audit addressed the matter
Accuracy and Occurrence of Grants Expense *Refer to Note 6.1C: Special Appropriations* The Entity administers a number of grants including, grant payments to State and Territory Governments under the *Federal Financial Relations Act 2009* (the Act). Accuracy and occurrence of grants expense is a key audit matter due to: • the significant value of the grants paid and the complex eligibility criteria set out in agreements for a number of the grant programs; and • the Entity's reliance on other Australian Government entities and State and Territory Governments to provide information to support payments and confirm that eligibility criteria have been met. For the year ended 30 June 2021, the value of grants paid by the Entity under the Act was $92.37 billion.	The audit procedures I applied to address the matter included: • testing, on a sample basis, the design and operating effectiveness of controls within other Australian Government entities to support the information provided to the Entity that substantiates the eligibility and grant payment amounts; and • testing, on a sample basis, the accuracy and occurrence of payments processed by the Entity by testing the design and operating effectiveness of controls supporting the Treasurer's determination and agreeing payments to supporting documentation.

Key audit matter	How the audit addressed the matter
Completeness and Valuation of the Natural Disaster Relief and Recovery Arrangements (NDDRA) and the Disaster Relief Funding Arrangements (DRFA) Provision *Refer to Note 5.4A: Provisions* The Entity manages payments to State and Territory Governments to assist with relief and recovery costs following a natural disaster. The completeness and valuation of the provision is a key audit matter due to the complexities in the judgements involved in estimating the provision. The Entity relies upon estimated eligible reconstruction cost information provided by State and Territory Governments to estimate the future value and timing of payments under disaster arrangements. Also, due to the nature of disasters, there is uncertainty at the time of the disaster of the estimated costs to restore State and Territory infrastructure to its original condition. The Entity applies judgement to determine whether the cost estimates are sufficiently reliable to be included in the provision at the time of the preparation of the financial statements. For the year ended 30 June 2021, the provision for costs associated with natural disaster arrangements was valued at $1.62 billion.	The audit procedures I applied to address the matter included: • examining the assessment of the eligibility of costs estimated under the arrangements. On a sample basis, I tested whether the estimate of eligibility costs had been calculated in accordance with the arrangements; • testing, on a sample basis, information provided by State and Territory Governments supporting the movement in quarterly estimates data to assess whether the Entity's reliance on the data was a reasonable basis to estimate future cash flows; • assessing the adequacy of the quality assurance processes over project level data from the State and Territory Governments that supports the provision estimate; • assessing the completeness of declared disasters included in the provision; and • assessing the adequacy of the reliability assessments performed by the Entity to support the accuracy of the provision.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Mark Vial
Acting Executive Director

Delegate of the Auditor-General

Canberra

16 September 2021

The Treasury

Statement by the Secretary and Chief Financial Officer

In our opinion, the attached financial statements of the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Treasury will be able to pay its debts as and when they fall due.

Dr Steven Kennedy PSM
Secretary to the Treasury
16 September 2021

Tarnya Gersbach
Chief Financial Officer
16 September 2021

Statement of comprehensive income

for the period ended 30 June 2021

	Notes	2021 $'000	2020 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**172,771**	152,138
Suppliers	1.1B	**80,818**	57,411
Grants	1.1C	**554**	609
Finance costs	1.1D	**1,830**	1,664
Depreciation and amortisation	2.2A	**20,377**	17,188
Write-down and impairment of assets	2.2A	**1,141**	740
Other expenses	1.1E	**72**	220
Net foreign exchange losses		**-**	8
Total expenses		**277,563**	229,978
Own-source income			
Own-source revenue			
Revenue from contracts with customers	1.2A	**8,158**	9,750
Other revenue	1.2B	**3,898**	6,016
Total own-source revenue		**12,056**	15,766
Gains			
Other gains	1.2C	**102**	96
Total gains		**102**	96
Total own-source income		**12,158**	15,862
Net cost of services		**(265,405)**	(214,116)
Revenue from Government	1.2D	**259,082**	206,298
Surplus/(Deficit)		**(6,323)**	(7,818)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		**1,667**	-
Total other comprehensive income		**1,667**	-
Total Comprehensive income / (loss)		**(4,656)**	(7,818)

This statement should be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**760**	651
Trade and other receivables	2.1B	**87,191**	80,052
Total financial assets		**87,951**	80,703
Non-financial assets[1]			
Buildings	2.2A	**153,352**	137,650
Plant and equipment	2.2A	**11,773**	11,447
Intangibles	2.2A	**16,734**	13,163
Prepayments		**6,446**	5,264
Total non-financial assets		**188,305**	167,524
Total assets		**276,256**	248,227
LIABILITIES			
Payables			
Suppliers	2.3A	**10,602**	10,775
Other payables	2.3B	**3,984**	2,920
Total payables		**14,586**	13,695
Interest bearing liabilities			
Leases	2.4A	**136,513**	122,800
Total interest bearing liabilities		**136,513**	122,800
Provisions			
Employee provisions	3.1A	**68,345**	63,174
Provision for restoration	2.5A	**5,510**	4,229
Total provisions		**73,855**	67,403
Total liabilities		**224,954**	203,898
Net assets		**51,302**	44,329
EQUITY			
Asset revaluation reserve		**14,343**	12,676
Contributed equity		**109,519**	97,890
Retained earnings		**(72,560)**	(66,237)
Total equity		**51,302**	44,329

This statement should be read in conjunction with the accompanying notes.

1. Right-of-use assets are included in the following line items: Buildings and Plant and equipment.

Statement of changes in equity

for the period ended 30 June 2021

	2021 $'000	2020 $'000
CONTRIBUTED EQUITY		
Opening balance	**97,890**	86,274
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**342**	1,456
Restructuring[1]	**(261)**	-
Departmental capital budget appropriation	**11,548**	10,160
Total transactions with owners	**11,629**	11,616
Closing balance as at 30 June	**109,519**	97,890
RETAINED EARNINGS		
Opening balance	**(66,237)**	(58,770)
Adjustment to opening balance	**-**	2
Adjustment on initial application of AASB 15/AASB 1058	**-**	54
Adjustment on initial application of AASB 16	**-**	295
Total opening balance	**(66,237)**	(58,419)
Comprehensive income		
Surplus/(Deficit) for the period	**(6,323)**	(7,818)
Total comprehensive income	**(6,323)**	(7,818)
Contributions by owners		
Total transactions with owners	**-**	-
Closing balance as at 30 June	**(72,560)**	(66,237)
ASSET REVALUATION RESERVE		
Opening balance	**12,676**	12,676
Comprehensive income		
Other comprehensive income	**2,337**	-
Changes in provision for restoration	**(670)**	-
Total comprehensive income	**1,667**	-
Closing balance as at 30 June	**14,343**	12,676
TOTAL EQUITY		
Opening balance	**44,329**	40,180
Adjustment to opening balance	**-**	2
Adjustment on initial application of AASB 15/AASB 1058	**-**	54
Adjustment on initial application of AASB 16	**-**	295
Total opening balance	**44,329**	40,531
Comprehensive income		
Other comprehensive income	**1,667**	-
Surplus/(Deficit) for the period	**(6,323)**	(7,818)
Total comprehensive income	**(4,656)**	(7,818)
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**342**	1,456
Departmental capital budget appropriation	**11,548**	10,160
Restructuring[1]	**(261)**	-
Total transactions with owners	**11,629**	11,616
Closing balance as at 30 June	**51,302**	44,329

This statement should be read in conjunction with the accompanying notes

1. Refer to Note 8.2 Restructuring.

Accounting Policy

Equity injections

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Other distributions to owners

The Financial Reporting Rule (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Cash flow statement

for the period ended 30 June 2021

	2021 $'000	2020 $'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	**273,761**	214,885
Sale of goods and rendering of services	**9,035**	6,783
GST received	**7,729**	5,690
Other	**1,747**	2,227
Total cash received	**292,272**	229,585
Cash used		
Employees	**169,503**	141,734
Suppliers	**77,840**	47,988
Interest payments on lease liabilities	**1,743**	1,579
Grants	**554**	609
Section 74 receipts transferred to OPA	**29,005**	23,877
GST paid	**7,909**	5,659
Total cash used	**286,554**	221,446
Net cash from/(used by) operating activities	**5,718**	8,139
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of plant and equipment	**67**	-
Total cash received	**67**	-
Cash used		
Purchase of buildings	**4,595**	5,974
Purchase of plant and equipment	**3,582**	2,321
Purchase of intangibles	**5,003**	6,797
Total cash used	**13,180**	15,092
Net cash from/(used by) investing activities	**(13,113)**	(15,092)
FINANCING ACTIVITIES		
Cash received		
Contributed equity - departmental capital budget	**11,832**	10,160
Contributed equity - equity injections	**327**	1,942
Restructuring - s75 cash transfer in	**5,210**	-
Total cash received	**17,369**	12,102
Cash used		
Principal payments of lease liabilities	**9,865**	7,270
Total cash used	**9,865**	7,270
Net cash from/(used by) financing activities	**7,504**	4,832
Net increase/(decrease) in cash held	**109**	(2,121)
Cash at the beginning of the reporting period	**651**	2,772
Cash at the end of the reporting period	**760**	651

This statement should be read in conjunction with the accompanying notes.

Administered schedule of comprehensive income

for the period ended 30 June 2021

	Notes	2021 $'000	2020 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1A	**117,803,920**	100,458,412
Interest		**4,381**	37,577
Medicare Guarantee Fund	4.1B	**41,448,516**	37,961,055
Payments to corporate Commonwealth entities	4.1C	**59,004**	61,762
Suppliers	4.1D	**344,497**	158,365
Concessional loan discount	4.1E	**728,434**	-
Total expenses		**160,388,752**	138,677,171
Income			
Revenue			
Non-taxation revenue			
Revenue from contracts with customers	4.2A	**623,625**	649,062
Interest	4.2B	**20,262**	15,597
Dividends	4.2C	**2,682,987**	3,071,501
COAG revenue from government agencies	4.2D	**1,810,356**	1,592,278
Other revenue	4.2E	**94,553**	112,511
Unwinding of concessional loan discount	4.2F	**38,564**	-
Total non-taxation revenue		**5,270,347**	5,440,949
Total revenue		**5,270,347**	5,440,949
Gains			
Foreign exchange	4.2G	**570,235**	(548,488)
Total gains		**570,235**	(548,488)
Total income		**5,840,582**	4,892,461
Net (cost of)/contribution by services		**(154,548,170)**	(133,784,710)
Surplus/(Deficit)		**(154,548,170)**	(133,784,710)
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Restructuring		**(20)**	-
Changes in asset revaluation surplus		**(7,120,710)**	1,297,692
Total comprehensive income		**(7,120,730)**	1,297,692
Total comprehensive income/(loss)		**(161,668,900)**	(132,487,018)

The above schedule should be read in conjunction with the accompanying notes.

Administered schedule of assets and liabilities

as at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	5.1A	**797,269**	449,817
Loans and other receivables	5.1B	**5,860,276**	8,119,663
Investments	5.1C	**38,525,891**	46,312,169
Total assets administered on behalf of Government		**45,183,436**	54,881,649
LIABILITIES			
Payables			
Grants	5.2A	**3,910,671**	126,753
Other payables	5.2B	**5,862,196**	6,862,715
Unearned income	5.2C	**1,406**	3,658
Financial guarantees	5.2D	**407,167**	93,385
Total payables		**10,181,440**	7,086,511
Financial liabilities			
Promissory notes	5.3A	**10,110,131**	10,051,022
Total financial liabilities		**10,110,131**	10,051,022
Provisions			
Provisions	5.4A	**1,652,833**	1,887,388
Total provisions		**1,652,833**	1,887,388
Total liabilities administered on behalf of Government		**21,944,404**	19,024,921
Net assets/(liabilities)		**23,239,032**	35,856,728

The above schedule should be read in conjunction with the accompanying notes.

Administered reconciliation schedule

for the period ended 30 June 2021

	2021 $'000	2020 $'000
Opening assets less liabilities as at 1 July	**35,856,728**	28,657,114
Net (cost of)/contribution by services		
Income	**5,840,582**	4,892,461
Expenses		
Payments to entities other than corporate Commonwealth entities	**(160,329,748)**	(138,615,409)
Payments to corporate Commonwealth entities	**(59,004)**	(61,762)
Other comprehensive income		
Revaluations transferred to reserves	**(7,120,710)**	1,297,692
Restructuring	**(20)**	-
Transfers (to)/from Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	**165,000**	165,000
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**51,389**	52,144
Payments to corporate Commonwealth entities	**59,004**	61,762
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**4,778**	-
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**95,528,774**	93,695,081
Special accounts - COAG Reform Fund	**16,153,748**	10,970,048
Special accounts - Medicare Guarantee Fund	**41,448,516**	37,961,055
Special accounts - NHFIC	**478,213**	522,000
Refunds of receipts (s77 PGPA)	**2**	14
Appropriation transfers to OPA		
Transfers to OPA - appropriations	**(2,823,248)**	(1,936,194)
Transfers to OPA - special accounts	**(2,014,972)**	(1,804,278)
Closing assets less liabilities as at 30 June	**23,239,032**	35,856,728

The above schedule should be read in conjunction with the accompanying notes.

Accounting Policy

Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered cash flow statement

for the period ended 30 June 2021

	Notes	2021 $'000	2020 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**2,201**	2,572
Interest		**15,186**	17,709
Dividends		**2,576,987**	1,694,718
Net GST received		**4,532**	1,556
HIH Group liquidation proceeds		**-**	19,196
COAG receipts from government agencies		**1,806,759**	1,592,278
Other receipts from government agencies[1]		**23,505,302**	23,744,980
Other		**94,555**	93,313
Total cash received		**28,005,522**	27,166,322
Cash used			
Grant payments		**149,992,511**	142,080,517
Other grants to the States and Territories[1]		**23,505,302**	23,744,980
Interest		**4,589**	48,178
Other		**40,435**	50,201
Total cash used		**173,542,837**	165,923,876
Net cash from/(used by) operating activities		**(145,537,315)**	(138,757,554)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF NAB loans		**79,506**	106,790
Repayment of NHFIC AHBA Loan		**208,213**	212,000
Repayment of International Loan		**50,000**	-
Total cash received		**337,719**	318,790
Cash used			
Settlement of IMF Promissory notes		**584,040**	320,025
Settlement of international financial institution's obligations		**115,942**	240,843
Purchase of administered investments		**169,777**	165,000
Settlement of loans to other government agencies		**180,761**	311,860
Settlement of IMF loans- PRGT		**396,113**	-
Settlement of international assistance loans		**2,057,523**	-
Total cash used		**3,504,156**	1,037,728
Net cash from/(used by) investing activities		**(3,166,437)**	(718,938)
Net increase (decrease) in cash held		**(148,703,752)**	(139,476,492)
Cash and cash equivalents at the beginning of the reporting period		**449,817**	239,677
Cash from Official Public Account			
Appropriations		**95,808,947**	93,974,001
Special accounts		**58,080,477**	49,453,103
Total cash from Official Public Account		**153,889,424**	143,427,104
Cash to Official Public Account			
Appropriations		**2,823,248**	1,936,194
Special accounts		**2,014,972**	1,804,278
Total cash to Official Public Account		**4,838,220**	3,740,472
Net cash from/(to) Official Public Account		**149,051,204**	139,686,632
Cash and cash equivalents at the end of the reporting period[2]		**797,269**	449,817

This schedule should be read in conjunction with the accompanying notes.

1. These balances reflect the payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D.
2. The Cash and cash equivalents balance reflects the balance of the NHFIC Special Account and COAG Special Account held by the Treasury. Refer to Note 6.2 Special Accounts for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2021

Overview

Objectives of the Department of the Treasury

The Department of the Treasury is an Australian Government controlled entity. It is a not-for-profit entity. The objective of the Department of the Treasury, known as 'the Treasury', is to support and implement informed decisions on policies for the good of the Australian people, consistent with achieving strong, sustainable economic growth and fiscal settings.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and
- Australian Accounting Standards and interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Treasury has applied the Reduced Disclosure Requirements issued by the AASB with the exception of disclosures for administered activities prepared under the following accounting standards, as required under Subsection 18(3) of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015:

- AASB 7 Financial Instruments: Disclosure;
- AASB 12 Disclosure of Interests in Other Entities; and
- AASB 13 Fair Value Measurement.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars. The financial statements are rounded to the nearest thousand.

Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Appropriations of administered capital are recognised in administered equity when the amounts appropriated by Parliament are drawn down. For the purposes of the Treasury annual report, administered equity transactions are not disclosed separately.

Impact of Restructuring 2020–21

On 15 April 2021, an Executive Order was made to abolish the Infrastructure and Project Financing Agency (IPFA) as an Executive Agency from the completion of 30 April 2021.

Financial reporting and accounting disclosures have been prepared in accordance with the requirements of the Public Governance, Performance and Accountability Rule 2014, which details the reporting and disclosure requirements when a restructure occurs. Accordingly, the Treasury has prepared a single set of financial statements as if IPFA was part of the Treasury for the entire 2020–21 reporting period, including the financial results attributable to the IPFA function from 1 July 2020 to 30 April 2021. Refer to IPFA's 2019–20 Annual Report for IPFA comparative information.

Details of assets and liabilities transferred are included at note 8.2B.

New accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

All new standards that were issued prior to the signing of the statement by the Departmental Secretary and Chief Financial Officer, and are applicable to the current reporting period did not have a material effect on the Treasury's financial statements:

Standard/Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 1059 *Service Concession Arrangements: Grantors*	AASB 1059 became effective from 1 July 2020. The new standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from a grantor's perspective. Prior to the issuance of AASB 1059, there was no definitive accounting guidance in Australia for service concession arrangements, which include a number of public private partnerships (PPP) arrangements. The AASB issued the new standard to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: International Public Sector Accounting Standard 32: *Service Concession Arrangements: Grantor.* The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.

Application of AASB 1059 Service Concession Arrangements: Grantors

The Treasury has adopted AASB 1059 using the modified retrospective approach at 1 July 2020.

For arrangements within the scope of AASB 1059, on transition and at initial recognition a public sector grantor is required to record the asset(s) used in the service concession arrangement at current replacement cost in accordance with the cost approach to Fair Value under AASB 13 Fair Value Measurement, with a related liability, which could be a financial liability, an accrued revenue liability or a combination of both.

After initial recognition, service concession assets are measured applying the Treasury's property, plant and equipment and intangible assets subsequent measurement accounting policies.

The Treasury has reviewed all arrangements (including leasing arrangements) that are controlled and administered by the Treasury to assess whether AASB 1059 applies. The Treasury identified no arrangements within the scope of AASB 1059.

Taxation

The Treasury is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

During 2020–21 Treasury reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. To minimise potential breaches, Treasury continues to monitor and adapt its verification procedures as necessary, particularly in relation to payments under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008*.

Treasury identified that 25 potential technical payments made between 7 August 2019 and 9 November 2020, totalling $85.5 million ($59.4 million in 2019–20 and $26.1 million in 2020–21, out of total National Partnership Payments of $6.8 billion in 2019–20 and $11.5 billion in 2020–21) were potentially in breach of section 83 of the Constitution. The payments relate to eight Commonwealth-State funding agreements administered by four Commonwealth agencies. After milestones in project agreements were achieved, Commonwealth agency senior officials certified that they had been met and provided representations to Treasury that appropriate ministerial authorisations existed for payment. However, it was subsequently identified that these senior officials did not have written ministerial authorisation to exercise this function.

The potential technical breaches were identified following Treasury's recent review of authorisations for all payments made in 2019–20 and 2020–21. Treasury has worked with the relevant Commonwealth agencies to ensure that there is now written ministerial authorisation in place for senior officials to assess the achievement of project milestones on the minister's behalf. Treasury has also strengthened its controls over payment authorisations and commenced a review of its risk assessment framework for Commonwealth-State funding agreements to safeguard against future potential breaches. Treasury will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible.

Events After the Reporting Period

There are no known events occurring after the reporting period that could impact on the financial statements.

Glossary of abbreviations

The following abbreviations are standardised throughout the financial statements:

- ACCC – Australian Competition and Consumer Commission
- ASBFEO – Australian Small Business and Family Enterprise Ombudsman
- ATO – Australian Taxation Office
- COAG – Council of Australian Governments
- CSIRO – The Commonwealth Scientific and Industrial Research Organisation
- DRFA – Disaster Recovery Funding Arrangements (applicable to events after 1 November 2018)
- IMF – International Monetary Fund
- IPFA – Infrastructure and Project Financing Agency
- MOV – Maintenance of Value
- NDRRA – Natural Disaster Relief and Recovery Arrangements (applicable to events prior to 1 November 2018)
- NHFIC – National Housing Finance and Investment Corporation
- PRGT – Poverty Reduction and Growth Trust
- SME – Small and Medium Enterprises
- SDR – Special Drawing Rights

1. Departmental Financial Performance

This section analyses the financial performance of the Treasury for the year ended 2021.

1.1. Expenses

	2021 $'000	2020 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**131,799**	112,640
Superannuation		
Defined contribution plans	**14,612**	11,448
Defined benefit plans	**9,343**	8,069
Redundancies	**973**	533
Leave and other entitlements	**12,504**	16,469
Other	**3,540**	2,979
Total employee benefits	**172,771**	152,138

Accounting Policy

Accounting policies for employee related expenses are contained in Note 3: People and Relationships.

	2021 $'000	2020 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, secondees and contractors	**35,450**	19,064
Information communication technology	**12,530**	14,937
Property operating expenses	**16,774**	6,430
Travel	**1,322**	4,378
Legal	**3,876**	3,642
Publications and subscriptions	**2,998**	2,152
Fees - audit, accounting, bank and other	**1,696**	1,480
Conferences and training	**2,502**	1,413
Insurance	**354**	339
Printing	**499**	156
Other	**1,431**	1,727
Total goods and services supplied or rendered	**79,432**	55,718
Goods supplied	**6,197**	7,557
Rendering of services	**73,235**	48,161
Total goods and services supplied or rendered	**79,432**	55,718
Other suppliers		
Workers compensation premiums	**1,212**	826
Short-term leases	**171**	840
Low value leases	**3**	27
Total other suppliers	**1,386**	1,693
Total suppliers	**80,818**	57,411

The Treasury has short-term lease commitments of $0.4 million as at 30 June 2021.

The above lease disclosure should be read in conjunction with the accompanying notes 1.1D Finance costs, 1.1E Other expenses, 2.2 Non-financial assets and 2.4A Leases.

Accounting Policy

Short-term leases and leases of low-value assets

The Treasury has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than $10,000). The Treasury recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2021 $'000	2020 $'000
Note 1.1C: Grants		
Private sector:		
Non-profit organisations	**554**	609
Total grants	**554**	609
Note 1.1D: Finance costs		
Interest on lease liabilities[1]	**1,743**	1,579
Unwinding of discount	**87**	85
Total finance costs	**1,830**	1,664

1. The above lease disclosures should be read in conjunction with the accompanying notes 1.1B Suppliers, 1.1E Other expenses, 2.2 Non-financial assets and 2.4A Leases.

Accounting Policy

All borrowing costs are expensed as incurred.

	2021 $'000	2020 $'000
Note 1.1E: Other expenses		
Net losses arising from lease modifications[1]	**18**	-
Act of Grace payments	**54**	220
Total other expenses	**72**	220

1. The above lease disclosures should be read in conjunction with the accompanying notes 1.1B Suppliers, 1.1D Finance costs, 2.2 Non-financial assets and 2.4A Leases.

1.2. Own-Source Revenue and Gains

Own-Source Revenue	2021 $'000	2020 $'000
Note 1.2A: Revenue from contracts with customers		
Rendering of services	**8,158**	9,750
Total revenue from contracts with customers	**8,158**	9,750
Disaggregation of revenue from contracts with customers		
Major product / service line:		
Actuarial services	**3,681**	3,383
Shared services	**2,951**	3,161
Cost recoveries	**1,038**	1,597
Research services	**-**	915
Legislative and Governance Forum on Consumer Affairs contributions	**88**	374
Income from subleasing[1]	**360**	279
Other	**40**	41
	8,158	9,750
Type of customer:		
Australian Government entities (related parties)	**7,994**	9,220
State and Territory Governments	**88**	374
Non-government entities	**76**	156
	8,158	9,750

1. The Treasury sub-leases accommodation to the Australian Office of Financial Management.

Maturity analysis of operating lease commitments receivable:

	2021 $'000	2020 $'000
Within 1 year	**350**	338
1-2 years	**361**	350
2-3 years	**373**	361
3-4 years	**383**	373
4-5 years	**217**	383
More than 5 years	**219**	436
Total undiscounted lease payments receivable	**1,903**	2,241

Accounting Policy

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Treasury expects to be entitled in exchange for those goods or services. The Treasury has concluded that it is the principal in all of its revenue arrangements because it controls the goods or services before transferring them to the customer.

Actuarial Services

This revenue stream relates to services performed by the Australian Government Actuary division to other Commonwealth entities. The Treasury recognises revenue upon the completion of the services (that is, at a point in time) as defined by the underlying contract as this is when the customer obtains the ability to direct the use of, and obtain substantially all of the benefits from the services (typically a report or other deliverable). Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Shared Services

This revenue stream relates to the Treasury providing finance, payroll and IT function services to other Commonwealth entities. The Treasury recognises revenue on the basis of expenses incurred to complete the service (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Treasury uses the input method in measuring progress of the services because there is a direct relationship between the Treasury's effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Cost Recoveries

This revenue stream relates to cost recovery contributions received from Commonwealth and State government entities as well as other entities to support the Treasury's facilitation of various grant programs, forums and/or councils. These arrangements are underpinned by enforceable agreements that are sufficiently specific to allow the Treasury to determine when the obligations are satisfied in return for consideration. The Treasury recognises revenue on the basis of expenses incurred to complete the service (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Treasury uses the input method in measuring progress of the services because there is a direct relationship between the Treasury's effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Research Services

This revenue stream relates to economic modelling and policy services to other Commonwealth entities. The Treasury recognises revenue on the basis of expenses incurred to complete the service (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Treasury uses the input method in measuring progress of the services because there is a direct relationship between the Treasury's effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Legislative and Governance Forum on Consumer Affairs

This revenue stream relates to contributions from States and Territories to fund the operations and projects of the Legislative and Governance Forum on Consumer Affairs (CAF). The operational contributions are based on the Commonwealth committing 30 per cent of funding with the remaining 70 per cent shared between the States and Territories. There are no sufficiently specific obligations related to these contributions, therefore the Department recognises revenue uniformly over time within the financial period in which the funds relate to. The Department recognises project revenue on the basis of expenses incurred to deliver the project (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Department uses the input method in measuring progress of the services delivered because there is a direct relationship between the Departments effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying State and Territories agreements and can be in advance or arrears. Payment is generally due within 30 days upon issue of invoice.

Income from Subleasing Right-of-use assets

The Treasury sublets a portion of office space to the Australian Office of Financial Management. The Treasury does not transfer substantially all the risks and rewards incidental to ownership of its lease through this sublease and therefore classifies this sublease as an operating lease. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue from contracts with customers due to its operational nature.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

	2021 $'000	2020 $'000
Note 1.2B: Other revenue		
ANAO audit services received free of charge	**539**	490
Secondment services received free of charge	**3,303**	5,349
IPFA revenue received free of charge	**56**	-
Other	**-**	177
Total other revenue	**3,898**	6,016
Note 1.2C: Other gains		
Gains from sale of assets	**67**	-
Reversal of restoration provision	**-**	96
Net foreign exchange gains	**35**	-
Total other gains	**102**	96

Accounting Policy

Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government entity as a consequence of a restructuring of administrative arrangements.

Sale of assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

	2021 $'000	2020 $'000
Note 1.2D: Revenue from Government		
Appropriations[1]		
Departmental appropriations	**257,620**	206,298
Supplementation	**1,462**	-
Total revenue from Government	**259,082**	206,298

1. 2020-21 Revenue from Government has been adjusted for unspent funding relating to two terminated programs that was required to be returned to the Consolidated Revenue Fund. A formal reduction under section 51 of the PGPA Act will quarantine $2.754 million in the 2021-22 financial year.

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Treasury gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

2. Departmental Financial Position

This section analyses the Treasury assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1. Financial Assets

	2021 $'000	2020 $'000
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	**760**	651
Total cash and cash equivalents	**760**	651

Note 2.1B: Trade and other receivables		
Goods and services receivables		
Contract assets	**1,805**	1,195
Total goods and services receivables	**1,805**	1,195

The contract assets are shared services and cost recoveries provided not invoiced at 30 June.

Appropriations receivable	**80,625**	72,956
Supplementation receivable	**1,462**	-
Goods and services receivables	**1,191**	3,785
Net GST receivable from the ATO	**1,462**	1,298
Other receivables	**648**	820
Total trade and other receivables (gross)	**85,388**	78,859
Less impairment loss allowance	**(2)**	**(2)**
Total trade and other receivables (net)	**87,191**	80,052

Credit terms for goods and services were within 30 days (2020: 30 days).

Accounting Policy

Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows, where the cash flows are solely payments for principal and interest that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2020-21)

	Buildings $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2020					
Gross book value	152,021	18,977	26,268	9,222	206,488
Accumulated depreciation / amortisation and impairment	(14,371)	(7,530)	(13,712)	(8,615)	(44,228)
Total value as at 1 July 2020	137,650	11,447	12,556	607	162,260
Additions	25,211	3,582	5,517	29	34,339
Purchased	4,595	3,582	-	29	8,206
Internally developed	-	-	5,517	-	5,517
Right-of-use assets	20,616	-	-	-	20,616
Adjustment to the ROU recognised in net cost of services	(65)	-	-	-	(65)
Revaluations recognised in other comprehensive income	2,336	1	-	-	2,337
From restructuring (ROU)[1]	2,263	-	-	-	2,263
Depreciation and amortisation	(3,151)	(3,007)	(3,951)	(259)	(10,368)
Depreciation on right-of-use assets	(9,997)	(12)	-	-	(10,009)
Disposal of right-of-use assets	(669)	-	-	-	(669)
Impairments recognised in net cost of services	(2)	(203)	(90)	-	(295)
Disposals	(811)	(35)	-	-	(846)
From restructuring[1]	587	-	2,325	-	2,912
Total as at 30 June 2021	153,352	11,773	16,357	377	181,859
Total as at 30 June 2021 represented by:					
Gross book value	172,044	12,487	31,208	7,958	223,697
Fair value	20,035	11,345	-	-	31,380
At cost	149,233	34	25,083	7,958	182,308
Under construction	2,776	1,108	6,125		10,009
Accumulated depreciation / amortisation and impairment	(18,692)	(714)	(14,851)	(7,581)	(41,838)
Total as at 30 June 2021	153,352	11,773	16,357	377	181,859
Carrying amount of right-of-use assets	130,588	15	-	-	130,603

1. The above disclosure should be read in conjunction with the accompanying note 8.2 Restructuring.

$0.295 million in discontinued projects with no expected future economic benefits were found to be impaired as at 30 June 2021.

No significant non-financial assets are expected to be sold or disposed within the next 12 months.

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 7.5 Fair Value Measurement.

The fair value of property, plant and equipment has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Contractual commitments[1] for the acquisition of property, plant and equipment and intangible assets.		
Commitments are payable as follows:	**2021 $'000**	2020 $'000
Within 1 year	**947**	889
Between 1 to 5 years	**25**	2,891
Total commitments	**972**	3,780

1. Commitments are GST inclusive where relevant.

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of plant and equipment and computer software are recognised initially at cost in the statement of financial position, except for purchases costing less than $10,000 (building – leasehold improvements and internally developed software $50,000) which are expensed in the year of acquisition.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration provisions in property leases taken up by the Treasury where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Treasury's leasehold improvements with a corresponding provision for the restoration recognised.

Lease Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition.

Revaluations

Following initial recognition at cost, property, plant and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Software is amortised on a straight-line basis.

Depreciation rates applying to each class of depreciable assets are based on the following useful lives:

	2021	2020
Buildings - leasehold improvements	5-25 years	5-25 years
Plant and equipment:		
Plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Computer software	3-5 years	3-5 years

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for impairment at 30 June 2021. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows and the asset would be replaced if the Treasury were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item or property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

All software assets were assessed for indications of impairment as at 30 June 2021, including the impact of factors such as project cessation and platform changes. No indication of impairment for intangible assets were identified as at 30 June 2021, therefore nil impairment losses for intangible assets were recognised (2020: nil).

Accounting Judgement and Estimates

The fair value of buildings – leasehold improvements and plant and equipment has taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Refer to section 7.5 Fair Value Measurement - Accounting Policy.

2.3. Payables

	2021 $'000	2020 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**9,096**	9,950
Contract liabilities	**1,506**	825
Total suppliers	**10,602**	10,775

Settlement was usually made within 20 days.

The contract liabilities are associated with the performance obligations not yet met at 30 June for the Australian Government Actuary, the Australian Consumer Survey Project and the Department of Foreign Affairs and Trade.

	2021 $'000	2020 $'000
Note 2.3B: Other payables		
Salaries and wages	**3,118**	2,234
Superannuation	**493**	330
Other creditors	**373**	356
Total other payables	**3,984**	2,920

Other payables are expected to be settled in no more than 12 months.

Accounting Policy

Financial liabilities

Other financial liabilities include trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 20 days.

2.4. Interest Bearing Liabilities

	2021 $'000	2020 $'000
Note 2.4A: Leases		
Lease liabilities		
Buildings	**136,497**	122,773
Plant and equipment	**16**	27
Total leases	**136,513**	122,800

Total cash outflow for leases for the year ended 30 June 2021 was $11.608 million ($9.865 million in principal payments and $1.743 million in interest payments).

Maturity analysis - contractual undiscounted cash flows		
Within 1 year	**10,865**	9,917
Between 1 to 5 years	**41,990**	42,225
More than 5 years	**98,463**	108,697
Total leases	**151,318**	160,839

The Treasury in its capacity as lessee has committed to two significant operating leases that have not yet commenced.

Future committed outflows for leases not yet commenced	
Within 1 year	**1,467**
Between 1 to 5 years	**7,534**
More than 5 years	**-**
Total leases	**9,001**

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B Suppliers, 1.1D Finance costs, 1.1E Other expenses and 2.2 Non-financial assets.

Accounting Policy

For all new contracts entered into, the Treasury considers whether the contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department’s incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

2.5. Other Provisions

Note 2.5A: Provision for restoration	$'000	Total $'000
Carrying amount 1 July 2020	**4,229**	**4,229**
Additional provisions made	**901**	**901**
Amounts transferred due to restructuring	**295**	**295**
Amounts used	**-**	**-**
Amounts reversed	**(2)**	**(2)**
Unwinding of discount or change in discount rate	**87**	**87**
Closing balance 30 June 2021	**5,510**	**5,510**

The Treasury has 5 (2020: 3) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The Treasury has made a provision to reflect the present value of this obligation. The value of the provision has been estimated by an independent valuer based on occupied floor space as per the leasing agreements.

3. People and relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

3.1. Employee Provisions

	2021	2020
	$'000	$'000
Note 3.1A: Employee provisions		
Leave	**68,345**	63,174
Total employee provisions	**68,345**	63,174

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Treasury's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

In 2020-21, the Treasury engaged the Australian Government Actuary to undertake a triennial actuarial assessment of its leave provisions, taking into account the likely tenure of existing staff, patterns of leave claims, payouts and future salary movements. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The Treasury recognises a provision for termination of employment when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Treasury makes employer contributions to the employee's defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Treasury accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2021 represents outstanding contributions.

3.2. Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Treasury. The Treasury has determined the key management personnel to be the Treasurer and other Portfolio Ministers, the Secretary and Deputy Secretaries. Key management personnel remuneration is reported in the table below:

	Treasury[1] 2021 $'000	**IPFA[2] 2021 $'000**	Treasury[1] 2020 $'000
Short-term employee benefits	**2,825**	**329**	2,883
Post-employment benefits	**443**	**16**	404
Other long-term employee benefits	**72**	**(28)**	73
Termination benefits	**-**	**-**	224
Total key management personnel remuneration expenses[3]	**3,340**	**317**	3,584

1. The total number of key management personnel that are included in the above table for Treasury in 2021 is 6 (2020: 12, including acting arrangements).

2. The total number of key management personnel that are included in the above table for IPFA in 2021 is 1, being the CEO. IPFA operated as a separate Executive Agency until 30 April 2021. From 1 May 2021, IPFA has continued as a separately branded activity within Treasury, however, IPFA's key management personnel did not transfer into Treasury. IPFA comparative data is available in IPFA's 2019-20 Annual Report.

3. The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Treasury.

3.3. Related Party Disclosures

Related party relationships:
The Treasury is an Australian Government controlled entity. Related parties to the Treasury are key management personnel including the Portfolio Minister and Executive and other Australian Government entities.

Transactions with related parties:

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by Treasury, it has been determined that one related party transaction is to be separately disclosed in 2021 (2020: one).

2020-21
During the reporting period, Treasury purchased shares totalling $4.778 million in the Australian Business Growth Fund (ABGF). One of the key management personnel was a government-appointed director of ABGF during 2020-21.

2019-20
During the reporting period, Treasury paid $2.0 million (GST inclusive) in administered grant funding to the Australian Housing and Urban Research Institute Limited (AHURI). One of the key management personnel was a government-appointed director of AHURI during 2019-20.

4. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered – Expenses

	2021 $'000	2020 $'000
Note 4.1A: Grants		
Public sector		
State and Territory Governments[1]	**115,979,788**	98,864,309
Payment of COAG receipts from Government agencies	**1,810,356**	1,592,278
Overseas entities		
Grants to IFRS	**2,000**	-
Private sector		
Grants to private sector	**11,776**	1,825
Total grants	**117,803,920**	100,458,412

1. 2020-21 Grants expenses includes the recovery of overpayments made in 2019-20 under the National Health Reform Agreement (NHRA). In April 2021, the Treasurer determined the final entitlements for 2019-20 NHRA funding in accordance with advice from the Administrator of the National Health Funding Pool. The final 2019-20 entitlements exceeded the advance payments made for that year.

Accounting Policy

The Treasury administers a number of grants on behalf of the Government. With the exception of the accounting treatment of payments to State and Territories under DRFA and NDRRA detailed below, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied but payments due have not been made.

Grants to States and Territories

Under the Federal Financial Relations Framework, the Treasurer is responsible for payments to the States and Territories. An overview of these arrangements is available on the Council for Federal Financial Relations' website.

There are five main types of payments under the framework:

· General revenue assistance, including GST revenue payments – a financial contribution to a State or Territory which is available for use for any purpose.

· National Specific Purpose Payments (National SPPs) – a financial contribution to support a State or Territory to deliver services in a particular sector.

· National Health Reform (NHR) payments – a financial contribution to a State or Territory to improve health outcomes for all Australians and ensure the sustainability of Australia's health system. Payments are made on the condition that the financial assistance is spent in accordance with the National Health Reform Agreement.

· National Housing and Homelessness Agreement (NHHA) payments – a financial contribution to a State or Territory to improve access to affordable, safe and sustainable housing, including to prevent and address homelessness and support social and economic participation.

· National Partnership (NP) payments – a financial contribution in respect of a funding agreement with a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements. Portfolio Ministers are accountable for government policies associated with NP payments.

National SPPs, NHHA, NHR and GST are paid monthly in advance under the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer determines the amounts that should have been paid and any adjustments are made in respect of advances that were paid during the financial year.

NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* which allows the Treasurer (or the delegated Minister within the Treasury Portfolio) to determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund special account. The Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

The Treasury has established a risk assessment framework for managing NP payments to the States and Territories. Senior officials of Commonwealth agencies that have policy and program responsibility for NPs are required to provide written representations to Treasury that the terms and conditions of the NP have been met prior to making a payment. This includes certification that appropriate ministerial authorisation is in place if a senior official has approved the achievement of a milestone for payment on behalf of a Minister. The Treasury undertakes its own quality assurance checks, including the review of supporting documents based on a risk profile, before advising the Treasurer on the amounts to be determined for payment to the States and Territories.

Disaster Recovery Funding Arrangements (DRFA) and Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Treasury accounts for payments made to States and Territories under DRFA and NDRRA by recognising a liability equal to the discounted value of estimated future payments to States and Territories regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim to the Commonwealth. States and Territories were requested to provide to the Department of Home Affairs (Home Affairs) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2021 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by Home Affairs, which in turn provides a certification of the expenditure estimates to the Treasury. On 1 July 2021, policy and program responsibility for the DRFA and NDRRA transferred from Home Affairs to the National Recovery and Resilience Agency.

Payments to the States and Territories through the COAG Reform Fund special account

Payments are made by other Commonwealth agencies into the COAG Reform Fund special account as detailed below.

· Department of Social Services (DSS) – Commonwealth’s share of the wage increases arising from Fair Work Australia’s decision on 1 February 2012 to grant an Equal Remuneration Order in the Social and Community Services sector.

· DSS – payments to States and Territories in relation to the DisabilityCare Australia Fund.

Department of Agriculture, Water and Environment – payments to States and Territories in relation to the Future Drought Fund.

Home Affairs – payments to States and Territories in relation to the Emergency Response Fund.

The Treasury receives funds from the relevant Commonwealth agency and pays the amount to the States and Territories. These amounts are recorded as ‘COAG receipts from Government Agencies’ to recognise the income and a corresponding grant expense for the payment to the States and Territories when entitled to be paid.

Mirror taxes collected by State Governments

On behalf of the States, the Government imposes mirror taxes which replace State taxes that may be constitutionally invalid in relation to Government places. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes.

	2021	2020
	$'000	$'000
Note 4.1B: Medicare Guarantee Fund		
Medicare Guarantee Fund	**41,448,516**	37,961,055
Total Medicare Guarantee Fund	**41,448,516**	37,961,055

Accounting Policy

Medicare Guarantee Fund

The purpose of the *Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

Under the Act, the Treasurer must credit the Treasury Special Account with an amount that is sufficient to cover the estimated costs of the MBS and PBS for the next financial year. The Treasury is reliant on advice from the Department of Health in determining the estimated costs. The sole purpose of the Treasury Special Account is to ensure that amounts are available for transfer to the Health Special Account to fund the MBS and PBS.

The MGF funding payment is recorded in Treasury Administered expenses to reflect the payment into the Health Special Account from the Treasury Special Account. Refer to Note 6.2 Special accounts.

	2021 $'000	2020 $'000
Note 4.1C: Payments to corporate Commonwealth entities		
NHFIC operating funding	**24,004**	26,762
NHFIC grants payment	**35,000**	35,000
Total payments to corporate Commonwealth entities	**59,004**	61,762

Accounting Policy

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to the Treasury is disclosed in Note 6 Funding.

Refer to Notes 5.1B Loans and other receivables, 5.1C Investments and 7.2 Administered Contingent Assets and Liabilities for more information on the National Housing Finance and Investment Corporation (NHFIC).

Note 4.1D: Suppliers		
Small & Medium Enterprises Guarantee Scheme – claims[1]	**314,364**	93,385
AFCA disputes payments[2]	**504**	31,447
Advertising campaigns	**29,615**	26,354
NHFIC First Home Loan Deposit Scheme – claims provision[1]	**(3,053)**	6,735
NHFIC New Home Guarantee – claims provision[1]	**1,325**	-
General supplier expenses	**1,742**	444
Total suppliers	**344,497**	158,365

1. Refer to Note 5.2D Accounting Policy for further details on the Small & Medium Enterprises Guarantee Scheme and Note 5.4A Accounting Policy for further details on the NHFIC First Home Loan Deposit Scheme and New Home Guarantee.

2. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry presented its final report to the Governor-General on 1 February 2019. As part of its response, the Government expanded the remit of the Australian Financial Complaints Authority (AFCA) to accept applications for external disputes dating back to 1 January 2008 that relate to misconduct, which AFCA, its predecessor schemes, or the courts have not yet dealt with. AFCA disputes payments were finalised in 2020-21.

	2021 $'000	2020 $'000
Note 4.1E: Concessional loan discount		
Concessional loan discount - PNG loan	**253,169**	-
Concessional loan discount - Indonesia loan	**422,526**	-
Concessional loan discount - IMF PRGT loan	**52,739**	-
Total concessional loan discount	**728,434**	-

4.2. Administered – Income

Revenue	2021 $'000	2020 $'000
Non-Taxation Revenue		
Note 4.2A: Revenue from contracts with customers		
GST administration fees - external entities	**621,500**	646,600
Guarantee of State and Territory borrowing fee	**2,125**	2,462
Total revenue from contracts with customers	**623,625**	649,062
Note 4.2B: Interest		
Gross IMF remuneration	**1,983**	9,954
Less: burden sharing	-	(35)
Net IMF remuneration	**1,983**	9,919
Interest on loan to IMF under New Arrangements to Borrow	**141**	2,259
Interest on loans to States and Territories	**2,162**	2,168
Interest on NHFIC AHBA loans	**278**	1,216
Interest on IMF PRGT loan	**2**	-
Interest on international assistance loans	**15,696**	-
Total interest	**20,262**	15,597
Note 4.2C: Dividends		
Reserve Bank of Australia	**2,672,987**	2,562,718
Australian Reinsurance Pool Corporation[1]	**10,000**	10,000
International Finance Corporation	**-**	498,783
Total dividends	**2,682,987**	3,071,501
Note 4.2D: COAG revenue from Government		
DisabilityCare Australia Fund revenue (DSS)[2]	**1,688,921**	1,550,529
Emergency Respond Fund revenue (ERF)[2]	**50,000**	-
Future Drought Fund revenue (FDF)[2]	**25,818**	-
Social and Community Services Sector (DSS)[2]	**45,617**	41,749
Total COAG receipts from government agencies	**1,810,356**	1,592,278
Note 4.2E: Other revenue		
HIH Group liquidation proceeds	**-**	19,196
Australian Reinsurance Pool Corporation fee[1]	**90,000**	90,000
Other revenue	**4,553**	3,315
Total Other revenue	**94,553**	112,511
Note 4.2F: Unwinding concessional loan discount		
Unwinding of concessional loan discount - PNG loan	**12,484**	-
Unwinding of concessional loan discount - Indonesia loan	**22,773**	-
Unwinding of concessional loan discount - IMF PRGT loan	**3,307**	-
Total unwinding of concessional loan discount	**38,564**	-

Gains	2021 $'000	2020 $'000
Note 4.2G: Net Foreign exchange gains		
IMF SDR allocation	**347,046**	(87,235)
IMF Maintenance of Value	**1,178,400**	(648,787)
IMF quota revaluation	**(739,797)**	185,958
IFIs revaluation	**(205,853)**	(6,536)
IMF NAB and PRGT	**(9,561)**	8,112
Other	**-**	-
Total foreign exchange gains[3]	**570,235**	(548,488)

1. Australian Reinsurance Pool Corporation Dividend and Service fee are agreed in advance as part of the Budget process and finalised once the appropriate determination is provided under Section 38(2) of the *Terrorism Insurance Act 2003*.

2. COAG revenue from Government – refer to Note 4.1A Grants - Accounting Policy for further details.

3. The comparative figures were classified as Net foreign exchange losses in the 2019-20 financial statements.

Accounting Policy

Administered revenue

All administered revenue relate to ordinary activities performed by the Treasury on behalf of the Australian Government. As such, administered appropriations are not revenue of the individual entity that oversees distribution or expenditure of the funds as directed.

Reserve Bank of Australia dividend

The Treasurer is able to determine what portion of the Reserve Bank of Australia's earnings is made available as a dividend to the Commonwealth having regard to the Reserve Bank Board's advice and in accordance with section 30 of the *Reserve Bank Act 1959*.

The Treasury recognise the dividend revenue and a corresponding receivable in the year the Reserve Bank of Australia reports a net profit available to the Commonwealth, subject to reliable measurement. This does not affect the timing of the dividend receipt in the Cash Flow Statement, only the timing of the accrued revenue in the Statement of Comprehensive Income. Dividends are measured at nominal amounts.

Australian Reinsurance Pool Corporation dividend and fee

The dividend and fee from the Australian Reinsurance Pool Corporation (ARPC) are recognised when the relevant Minister signs the legislative instrument and thus control of the income stream is established. These are measured at nominal amounts.

International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. Remuneration is paid on a portion of Australia's IMF quota commitment. This money is lent by Australia under the IMF's Financial Transaction Plan, under which members in a strong external position provide quota resources to support IMF lending to borrowing member countries.

Where the IMF's holdings of Australian dollar's fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is based on the SDR interest rate. The SDR interest rate is the market interest rate computed by the IMF, which is based on a weighted average of representative interest rates on short-term government debt instruments (generally 3 month bond rates) of the five entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union, Japan and China. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected at Note 4.2B as 'burden sharing'.

Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual Maintenance of Value adjustment is made to the IMF's holdings of Australia's quota paid in Australian dollars to maintain its value in SDR terms.

International Monetary Fund New Arrangements to Borrow (NAB)

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Amounts lent to the IMF under the NAB accrue interest daily at the SDR interest rate (or such other rate as agreed by 85 per cent of NAB participants). The IMF pays interest on NAB amounts quarterly.

The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

IMF Poverty Reduction and Growth Trust

Australia also receives interest on amounts lent to the IMF under the Poverty Reduction and Growth Trust (PRGT). Amounts lent to the IMF under the PRGT accrue interest daily at the SDR interest rate (or such other rate as agreed by 85 per cent of PRGT lenders). The IMF pays interest on PRGT amounts quarterly.

The IMF must repay amounts lent through the PRGT in line with the pass-through loan arrangement, this is usually ten years. Amounts can be repaid earlier if the pass-through loan is repaid early.

International Finance Corporation

On 16 April 2020, the Board of Governors of the International Finance Corporation passed Resolution 270 - Conversion of Retained Earnings and General Capital Increase. Following the passage of the Resolution, retained earnings converted to 16,999,998 additional shares with a par value of $1,000 USD each. Australia was allocated 313,535 shares valued at $498.783 million. This is treated as a non-cash dividend.

The Guarantee of State and Territory Borrowing

Under the Guarantee of State and Territory Borrowing, a fee is paid to provide the guarantee over new and nominated existing State and Territory securities. Fees are reported as a fee for service in accordance with AASB 118 *Revenue*. The guarantee closed to new issuances of guaranteed liabilities on 31 December 2010.

Financial guarantee contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as contingent liabilities, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The Treasury's administered financial guarantee contracts relate to components of the Guarantee of State and Territory Borrowing.

5. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the operating liabilities incurred as a result, which the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

5.1. Administered – Financial Assets

	2021 $'000	2020 $'000
Note 5.1A: Cash and cash equivalents		
Cash held in the OPA - NHFIC Special Account	**747,269**	449,817
Cash held in the OPA - COAG Special Account	**50,000**	-
Total cash and cash equivalents	**797,269**	449,817

Accounting Policy

The Treasury's administered cash and cash equivalents relate to special account balances held in the OPA. Refer to Note 6.2 Special accounts for more information.

	2021 $'000	2020 $'000
Note 5.1B: Loans and other receivables		
Loans		
Loans to States and Territories	**47,855**	47,855
International assistance loans	**1,367,085**	-
Loans to NHFIC	**87,731**	115,183
IMF New Arrangements to Borrow loan	**120,471**	213,060
IMF PRGT loan	**378,812**	-
Total loans	**2,001,954**	376,098
Other receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	**-**	-
IMF Maintenance of Value receivable	**1,178,400**	-
Borrowing contractual fee receivable[1]	**1,406**	3,658
Guarantee of State and Territory Borrowing fee receivable	**112**	188
Net GST receivable from the ATO	**358**	1,397
IMF related moneys owing	**248**	320
Dividends receivable	**2,669,000**	2,563,000
Accrued interest - loans to NHFIC	**50**	53
Accrued interest - international loans	**5,150**	-
Accrued interest - IMF PRGT loan	**1**	-
GST revenue allocation and COAG receivable	**3,597**	5,174,947
Other receivables	**-**	2
Total other receivables	**3,858,322**	7,743,565
Total loans and other receivables (gross)	**5,860,276**	8,119,663
Receivables are expected to be recovered in		
No more than 12 months	**3,957,682**	7,742,101
More than 12 months	**1,902,594**	377,562
Total receivables (gross)	**5,860,276**	8,119,663
Receivables (gross) are aged as follows		
Not overdue	**5,860,276**	8,119,663
Total receivables (gross)	**5,860,276**	8,119,663

1. Refer to Note 5.2C Unearned income for corresponding liability.

Note 5.1B: Concessional loans carrying amounts

	Loan to PNG $'000	Loan to Indonesia $'000	IMF PRGT loan $'000	Total $'000
As at 1 July 2020	**-**	**-**	**-**	**-**
Gross funded loans and advances	**557,523**	**1,500,000**	**396,112**	**2,453,635**
Less: concessional loan disount on drawn loans	**(253,169)**	**(422,526)**	**(20,823)**	**(696,518)**
Less: repayment of principal and interest	**-**	**(50,000)**	**-**	**(50,000)**
Add: unwinding of concessional loan discount (income)	**12,484**	**22,773**	**-**	**35,257**
Add: foreign exchange movement	**-**	**-**	**3,523**	**3,523**
Less: impairment allowance	**-**	**-**	**-**	**-**
Total as at 30 June 2021	**316,838**	**1,050,247**	**378,812**	**1,745,897**

Accounting Policy

Except for financial guarantee contracts, all loans and receivables are classified as amortised cost under AASB 9. Refer to Note 7.4 Administered financial instruments for further details on accounting treatment.

Loans to NHFIC

Loans to NHFIC relate to the Affordable Housing Bond Aggregator (AHBA), which was established by NHFIC to provide loans to registered Community Housing Providers (CHPs). In accordance with the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*, each loan allocated to the AHBA must relate to a particular loan to a CHP unless approved by the Treasurer and Minister for Finance. Interest is to be charged on each loan at a rate that covers the Commonwealth's cost of borrowing over the life of the loan. The interest has been accrued as earned and disclosed in Notes 4.2B and 5.1B.

IMF New Arrangements to Borrow

Australia lent to the IMF under the New Arrangements to Borrow (NAB). NAB is a set of credit arrangements between the IMF and 38 member countries and Institutions, including a number of emerging market countries. The NAB is used in circumstances in which the IMF needs to supplement its quota resources for lending purposes. The NAB is covered by general activation periods of up to six months, with each activation periods subject to a specified maximum level of commitments.

The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

IMF Poverty Reduction and Growth Trust

Australia lent to the IMF under the Poverty Reduction and Growth Trust (PRGT). The IMF is the Trustee of the PRGT, which is used to provide concessional lending to low-income countries. When the IMF makes a loan through the PRGT, it draws on it's credit arrangements.

The IMF must repay amounts lent through the PRGT in line with the pass-through loan arrangement, this is usually ten years. Amounts can be repaid earlier if the pass-through loan is repaid early.

International Assistance Loans to PNG

On 22 November 2020, the Commonwealth of Australia agreed to lend A$558 million to the Independent State of Papua New Guinea (PNG). This agreement was made to provide budget support to PNG and to support its reform actions under the International Monetary fund (IMF) Staff-Monitored Program (SMP).

The funds will be used to provide budgetary support to help address the deteriorating fiscal position that PNG has been facing in recent years. The deterioration in fiscal position has been further exacerbated by the COVID-19 pandemic. Additionally, the funds were used to refinance a US$300 million loan that PNG had with Export Finance Australia.

The interest rate on the loan is fixed to match the yield on 10-year Australian Government Securities as at the date of drawdown by PNG, with an additional 0.5 per cent margin to cover administrative costs associated with the loan. Instalments on the loan principal and interest are repayable over fifteen years every six months in Australian dollars.

International Assistance Loans to Indonesia

On 12 November 2020, the Commonwealth of Australia agreed to lend A$1.5 billion to the Republic of Indonesia. This agreement is part of a multilateral action to support Indonesia led by the Asian Development Bank and including the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned development bank.The funds were used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

The interest rate on the loan is fixed to match the yield on 10-year Australian Government Securities as at the date of drawdown by the Indonesian Government, with an additional 0.5 per cent margin to cover administrative costs associated with the loan. Instalments on the loan principal and interest are repayable over fifteen years every six months in Australian dollars.

GST Revenue allocation and COAG receivable

Under the COAG arrangements, the Treasury separately discloses grants payable (grants not paid prior to year-end) and receivable (primarily GST revenue allocations and other COAG grants receivable) based on information provided by Commonwealth Agencies for each COAG grant. The current year's COAG receivable relates to the future drought funding due from the Department of Agriculture, Water and Environment for payments to the States and Territories.

GST is paid to the State and Territories based on estimated figures provided in the Budget and revisited in the Mid-Year Economic and Fiscal Outcome (MYEFO) round. The key driver of the calculation of the distribution of GST is population and actual collections. At the end of each financial year, the Australian Bureau of Statistics provides population data and the ATO provides the actual GST collection figures. The difference between the estimated State and Territory payments is recorded as GST revenue allocation. Current year GST revenue allocation is $nil (2020: $5,174.9 million). Refer to Note 5.2A Grants for further details.

	2021 $'000	2020 $'000
Note 5.1C: Investments		
International financial institutions		
Asian Development Bank	**582,976**	617,551
Asian Infrastructure & Investment Bank	**981,910**	1,075,623
European Bank for Reconstruction and Development	**99,051**	102,438
International Bank for Reconstruction and Development	**368,269**	340,014
International Finance Corporation	**534,469**	525,811
Multilateral Investment Guarantee Agency	**8,248**	9,035
Total international financial institutions	**2,574,923**	2,670,472
Australian Government entities		
Reserve Bank of Australia	**22,466,000**	29,601,000
Australian Reinsurance Pool Corporation	**595,429**	520,526
NHFIC	**411,047**	305,225
Total Australian Government entities	**23,472,476**	30,426,751
Commonwealth companies		
Financial Adviser Standards and Ethics Authority Ltd	**-**	1,436
Total Commonwealth companies	**-**	1,436
Other investments		
Australian Business Growth Fund	**4,778**	-
IMF quota	**12,473,714**	13,213,510
Total other investments	**12,478,492**	13,213,510
Total investments	**38,525,891**	46,312,169

Investments are expected to be recovered in more than 12 months.

Accounting Policy

Administered investments

Investments are classified as fair value through other comprehensive income. Refer to Note 7.4 Administered Financial Instruments for further details on the Treasury's accounting policy.

Development banks

Australia holds shares in the World Bank Group (WBG), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Asian Infrastructure Investment Bank (AIIB).

Principal activities:

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, alongside the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), form the WBG.

The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector. ICSID provides international facilities for conciliation and arbitration of investment disputes.

The ADB was established in 1966 and has a mandate to reduce poverty and promote economic development in its developing member countries in Asia and the Pacific. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused on the infrastructure, transportation and energy sectors.

The EBRD was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in more than 30 countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean region. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state owned firms and improvement of municipal services.

The AIIB was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia. The AIIB also aims to promote interconnectivity and economic integration in the region by working in close collaboration with other multilateral and bilateral development institutions.

International Monetary Fund

The IMF is an organisation with 189 member countries, working to ensure the stability of the international monetary system - the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF does this through: surveillance, including annual economic assessments of member countries; technical assistance to member countries; and by making resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

Quota subscriptions which are denominated in SDRs represent a member's shareholding in the IMF and generate most of the IMF's financial resources.

Australian Government entities

Administered investments in controlled corporate entities are not consolidated because their consolidation is relevant only at the whole of government level.

The Reserve Bank of Australia is Australia's central bank. Its duty is to contribute to the maintenance of price stability, full employment and the economic prosperity and welfare of the Australian people. It does this by setting the cash rate to meet a medium-term inflation target, working to maintain a strong financial system and efficient payments system and issuing the nation's banknotes. The Bank provides selected banking services to the Australian Government and its agencies and to a number of overseas central banks and official institutions. Additionally, it manages Australia's gold and foreign exchange reserves.

The Australian Reinsurance Pool Corporation (ARPC) is a Commonwealth public financial corporation established by the *Terrorism Insurance Act 2003* to administer the terrorism reinsurance scheme, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident.

The National Housing Finance and Investment Corporation (NHFIC) was established under the *National Housing Finance and Investment Corporation Act 2018* in June 2018. NHFIC's purpose is to improve housing outcomes for Australians by providing funding to eligible housing projects through two key financing mechanisms: the National Housing Infrastructure Facility (NHIF), which provides loans, investments and grants for enabling infrastructure to support new housing; and the Affordable Housing Bond Aggregator (AHBA), which provides low-cost, long-term finance to community housing providers.

Financial Adviser Standards and Ethics Authority Ltd (FASEA) is a Commonwealth entity that was established in April 2017 to set standards for the ethical conduct, educational qualifications and ongoing training of licensed financial advisers in Australia.

The Commonwealth, as represented by the Assistant Minister for Superannuation, Financial Services and Financial Technology, is the sole shareholder. FASEA is funded by contributions from participating financial institutions under FASEA's Funding agreement. All revenue and any subsequent profits are to be used to fund the operations of FASEA and cannot be distributed to the Commonwealth. Upon winding up, any surplus is returned to the contributing financial institutions and the shareholder is required to contribute $10.00.

Australian Business Growth Fund

The Australian Business Growth Fund (ABGF) provides patient equity funding to eligible small and medium-sized enterprises (SMEs). The Commonwealth, authorised by the *Australian Business Growth Fund (Coronavirus Economic Response Package) Act 2020*, is a shareholder in the ABGF alongside ANZ, the Commonwealth Bank, the National Australia Bank, Westpac, HSBC and Macquarie Bank. The ABGF operates commercially and is independent of both the Government and the participating banks.

5.2. Administered – Payables

	2021 $'000	2020 $'000
Note 5.2A: Grants		
COAG grants payable	**3,908,150**	126,753
Other grants payable	**2,521**	-
Total grants	**3,910,671**	126,753
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**10,161**	6,668
IMF SDR allocation	**5,851,530**	6,198,575
IMF related monies owing	**485**	693
IMF Maintenance of Value	**-**	648,787
Suppliers	**20**	7,992
Total other payables	**5,862,196**	6,862,715
Other payables expected to be settled		
No more than 12 months	**10,666**	15,353
More than 12 months	**5,851,530**	6,847,362
Total other payables	**5,862,196**	6,862,715
Note 5.2C: Unearned income		
Guarantee of State and Territory borrowing contractual guarantee service obligation[1]	**1,406**	3,658
Total unearned income	**1,406**	3,658
Total unearned income expected to be settled		
No more than 12 months	766	2,194
More than 12 months	640	1,464
Total unearned income	**1,406**	3,658

1. Refer Note 5.1B Loans and other receivables for corresponding receivable.

IMF Special Drawing Right Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'other payables'.

Note 5.2D: Financial guarantees

	SME Loan Guarantee Scheme $'000	Show Starter Loan Scheme $'000	SME Recovery Loan Scheme $'000	Total $'000
As at 1 July 2020	93,385	-	-	93,385
Add: new accruals	300,621	872	12,871	314,364
Less: payment of claims	(582)	-	-	(582)
Add: revaluation	-	-	-	-
Total as at 30 June 2021	393,424	872	12,871	407,167
Total financial guarantees to be settled				
No more than 12 months	17,323	-	-	17,323
More than 12 months	376,101	872	12,871	389,844
Total financial guarantees	393,424	872	12,871	407,167

Accounting Policy

Financial guarantees are financial liabilities measured initially at fair value, then subsequently measured at the higher of the amount of the loss allowance and the initial amount recognised.

Small & Medium Enterprises (SME) Guarantee Scheme (SMEGS)

The liability associated with this Scheme was recognised as a provision in 2019-20, but has been re-classified as a financial guarantee contract from 2020-21.

The Australian Government is supporting SMEs access to finance by providing a Guarantee to eligible lenders through the Coronavirus SME Guarantee Scheme, Show Starter Loan Scheme, and SME Recovery Loan Scheme.

Coronavirus SME Guarantee Scheme Phase 1

From 23 March 2020 to 30 September 2020, eligible lenders were offering SMEs with up to $50 million annual turnover, including sole traders and not-for-profits, guaranteed loans of up to $250,000 on the following terms:

• Loan terms up to three years, with a mandatory repayment holiday for the first six months.

• Unsecured finance.

The Government will guarantee 50 per cent of eligible loans issued under Phase 1 of the Coronavirus SME Guarantee Scheme.

Coronavirus SME Guarantee Phase 2

From 1 October 2020 until 30 June 2021, eligible lenders were offering loans on the same terms as the Phase 1 Scheme with the following enhancements:

• Loans can be used for a broader range of business purposes, including to support investment. This includes refinancing from loans written under Phase 1 of the Scheme.

• Maximum loan limit of $1 million per borrower.

• Loan term up to 5 years and the option of a six month repayment holiday at the discretion of the lender.

•A loan can be either unsecured or secured (excluding commercial or residential property)The Government will guarantee 50 per cent of eligible loans issued under Phase 2 of the Coronavirus SME Guarantee Scheme.

Show Starter

From 4 December 2020 until 30 June 2021, eligible lenders were able to offer guaranteed loans (up to $90 million of loans) to eligible existing arts and entertainment entities with an annual turnover of up to $120 million on the following terms:

• Loans must be used to deliver a new arts and entertainment activity for a live audience, commencing within 24 months.

• Maximum loan limit of $5 million.

• Loan term up to 5 years, including a mandatory repayment holiday for the first twelve months.

• Unsecured finance.

The Australian Government will guarantee 100 per cent of loans issued under the Show Starter Loan Scheme.

Small & Medium Enterprises (SME) Recovery Loan Scheme (SMERLs - Flood and Job Keeper)

Through the SME Recovery Loan Scheme, the Government is supporting the economic recovery of, and provide continued assistance to, firms that received JobKeeper payments during the March 2021 quarter or are eligible flood-affected businesses.

From 1 April 2021 until 31 December 2021, eligible lenders are offering guaranteed loans on the following terms:

• Lenders are allowed to offer borrowers a repayment holiday of up to 24 months.

• Loans can be used for a broad range of business purposes, including to support investment. Loans may be used to refinance any pre-existing debt of an eligible borrower, including those from the SME Guarantee Scheme.

• Borrowers can access up to $5 million in total, in addition to the Phase 1 and Phase 2 loan limits.

• Loans are for terms of up to 10 years, with an optional repayment holiday period.

• Loans can be either unsecured or secured (excluding residential property).

• The interest rate on loans will be determined by lenders, but will be capped at around 7.5 per cent, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time.

The Government guarantee will be 80 per cent of the loan amount to eligible SMEs, including self-employed individuals and non-profit organisations, with an annual turnover of up to $250 million and have been either:

• recipients of the JobKeeper payment between 4 January 2021 and 28 March 2021; or

• located or operating in a local government area that has been disaster declared as a result of the March 2021 New South Wales floods and were negatively economically impacted.

Contingent liabilities

Refer to Note 7.2 Administered Contingent Assets and Liabilities

5.3. Administered – Financial Liabilities

	2021 $'000	2020 $'000
Note 5.3A: Promissory notes		
IMF promissory notes[1]	**10,051,064**	9,986,317
Other promissory notes[1]	**59,067**	64,705
Total promissory notes	**10,110,131**	10,051,022
Promissory notes expected to be settled		
Within 1 year	**1,304,449**	-
Between 1 to 5 years	**-**	-
More than 5 years	**8,805,682**	10,051,022
Total promissory notes	**10,110,131**	10,051,022

1. Promissory notes held by the Treasury are at face value and have no interest rate.

Accounting Policy

Promissory notes

Promissory notes have been issued to the IMF, the International Bank for Reconstruction and Development, and the Multilateral Investment Guarantee Agency.

Where promissory notes have been issued in foreign currencies, they are recorded at their nominal value by translating them at the spot rate at balance date. The promissory notes relate to the undrawn paid-in capital subscriptions and Maintenance of Value adjustments under the direction of the Treasurer. Foreign currency gains and losses are recognised where applicable.

5.4. Administered – Provisions

	2021 $'000	2020 $'000
Note 5.4A: Provisions		
NHFIC First Home Loan Deposit Scheme (FHLDS)	**3,682**	6,735
NHFIC New Home Guarantee	**1,325**	-
Provision for PRGT loan commitment	**28,609**	-
DRFA and NDRRA provision	**1,619,217**	1,880,653
Queensland	**741,223**	872,428
New South Wales	**678,724**	686,071
Victoria	**86,318**	37,066
Western Australia	**58,416**	138,906
Northern Territory	**7**	37,582
Tasmania	**1,788**	51,180
South Australia	**52,637**	56,586
Australian Capital Territory	**104**	*834*
Total provisions	**1,652,833**	1,887,388
Provisions expected to be settled		
No more than 12 months	**781,301**	1,194,080
More than 12 months	**871,532**	693,308
Total provisions	**1,652,833**	1,887,388

	PRGT loan commitment $'000	NHFIC FHLDS $'000	NHFIC New Home Guarantee $'000	DRFA and NDRRA $'000	Total $'000
As at 1 July 2020	-	6,735	-	1,880,653	1,887,388
Additional provisions made	52,739	-	1,325	341,759	395,823
Amounts used	(20,823)	-	-	(752,416)	(773,239)
Amounts reversed	-	(3,053)	-	-	(3,053)
Unwinding of discount or change in discount rate	(3,307)	-	-	149,221	145,914
Total as at 30 June 2021	28,609	3,682	1,325	1,619,217	1,652,833

Accounting Judgements and Estimates

Disaster Recovery Funding Arrangements (DRFA) and the Natural Disaster Relief and Recovery Arrangements (NDRRA)

Provisions

The DRFA and NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. The DRFA 2018 arrangement applies from 1 November 2018 in respect of eligible events that occur on or after that date. All eligible events occurring up to and including 31 October 2018 are governed by the NDRRA Determination. No change to the method of accounting for the provision arises from the change in arrangements.

The estimate is based on information provided by the States and Territories to the Department of Home Affairs (Home Affairs), the Commonwealth agency that was responsible for the administration of the program up to 30 June 2021. The estimates provided by the States and Territories are based on their assessment of the costs incurred, or expected to be incurred, that would be eligible for assistance under the applicable arrangement. Home Affairs has implemented a comprehensive assurance framework in order to assess the reasonableness of estimates provided by the States and Territories with regard to estimates eligibility under DRFA and NDRRA. This includes assurance activities undertaken by the Commonwealth for expenditure submitted in Claims to the Commonwealth not yet paid, as well as quality assurance procedures over the estimates submitted by States and Territories. This is in addition to assurance activities completed by State-appointed auditors.

The Treasury reviews the quality assured estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cash flows. Given the nature of disasters, there is a level of uncertainty in the estimated reconstruction costs at the time of a disaster. This uncertainty decreases as relief and recovery projects progress to completion.

Contingent liabilities

The DRFA and NDRRA provision at 30 June 2021 includes estimated payments for disaster events that occurred prior to 1 July 2021, except for new events that occurred during the 2020-21 financial year for which costs cannot yet be quantified reliably. There were nine such events that are included in the DRFA and NDRRA contingent liability. These are:

- Flinders Ranges Council Storm Event (October 2020);
- NSW Storms (28 November 2020 onwards) - South West Slopes, Central West, Illawarra and Southern Tablelands Regions;
- NSW Storms and Floods (2 January 2021 onwards) - North West Slopes, New England, Northern Tablelands, Northern Rivers and Mid North Coast Regions;
- NSW Storms (2 December 2020 onwards) - Orana and New England regions;
- NT February - March 2021 Floods (February 2021);
- Eurobodalla Storms (26 December 2020 onwards);
- Thunderstorms and Associated Flooding in the Shire of Wiluna (16-18 February 2021);
- Wellington Storms and Floods (commencing 23 March 2021); and
- Snowy Valleys Storms (3 February 2021 onwards).

Estimates of all natural disasters are regularly reviewed and revised when new information becomes available.

NHFIC First Home Loan Deposit Scheme (FHLDS) and New Home Guarantee (NHG)

Provision

The FHLDS and NHG provision represents the Treasury's best estimate of claims expected from NHFIC as at balance date. FHLDS is an Australian Government initiative launched on 1 January 2020, administered by NHFIC. Under FHLDS, NHFIC guarantees up to 15 per cent of a purchased property's value to eligible first home buyers, capped at 10,000 loans each financial year. The Minister is able to determine that any unissued guarantees may be rolled over to the following financial year. The NHG is a temporary expansion of the FHLDS, providing 10,000 guarantees in both 2020-21 and 2021-22 to eligible first home buyers seeking to build a new home or purchase a newly built home. The Treasury funds valid claims under the *National Housing Finance and Investment Corporation Act 2019* and the *National Housing Finance and Investment* Corporation Investment Mandate Direction 2018.

Each guarantee is issued and tracked by NHFIC, with the lenders entering the data in line with the requirements under the Schemes, into a NHFIC database. This include the purchase price, location/postcode, maturity date and the portion of the purchased property's value being guaranteed. Expected claims are estimated using an assumed default and capital growth (house price) rate and are discounted by Commonwealth Treasury Bond rates with a comparative duration. The assumed default rate is informed by a combination of default data from Lenders Mortgage Insurers (LMI) and the banking industry. The assumed capital growth rate has been calculated using market data according to the location and type of property and factoring-in the consumer price index (CPI) over the forward years.

Since commencement, as at 30 June 2021, 19,993 FHLDS places were used with 19,322 guarantee certificates issued for loans which were settled or pending settlement. 671 places were reserved and pending a property purchase or approvals. In addition, as at 30 June 2021, 6,727 NHG places were used with 4,781 guarantee certificates issued for loans which were settled or pending settlement. 1,946 places were reserved and pending a property purchase or approvals.

Contingent liabilities

Refer to Note 7.2 Administered Contingent Assets and Liabilities

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

Note 6.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2021

	Appropriation Act		*PGPA Act*		Total appropriation	Appropriation applied in 2021 (current and prior years)	
	Annual Appropriation[1] $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	$'000	$'000	Variance[2] $'000
DEPARTMENTAL							
Ordinary annual services	255,164	-	29,005	5,209	289,378	(273,652)	15,726
Capital Budget[3]	11,548	-	-	-	11,548	(11,548)	-
Other services							
Equity	-	-	-	237	237	(222)	15
Total departmental	266,712	-	29,005	5,446	301,163	(285,422)	15,741
ADMINISTERED							
Ordinary annual services							
Administered items	133,686	-	-	4,762	138,448	(110,390)	28,058
Other services							
Administered assets and liabilities	165,000	-	-	-	165,000	(165,000)	-
Total administered	298,686	-	-	4,762	303,448	(275,390)	28,058

1. Includes IPFA appropriations of $5.754 million; and unspent funds of $2.754 million in relation to two programs that terminated during 2020-21 that are required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and are therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2021.

2. The variance in Ordinary annual services is largely driven by the timing of cash payments.

3. Departmental and Administered Capital Budgets are appropriated through Appropriations Acts (No.1 and No.3). They form part of the ordinary annual services and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2020

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 $'000	Section 75 $'000	Total appropriation $'000	Appropriation applied in 2020 (current and prior years) $'000	Variance $'000
DEPARTMENTAL							
Ordinary annual services	210,135	-	23,877	-	234,012	(211,316)	22,696
Capital Budget	10,160	-	-	-	10,160	(10,160)	-
Other services							
Equity	1,456	-	-	-	1,456	(1,234)	222
Total departmental	221,751	-	23,877	-	245,628	(222,710)	22,918
ADMINISTERED							
Ordinary annual services							
Administered items	108,399	-	-	14,150	122,549	(113,906)	8,643
Other services							
Administered assets and liabilities	165,000	-	-	-	165,000	(165,000)	-
Total administered	273,399	-	-	14,150	287,549	(278,906)	8,643

Note 6.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2021 $'000	2020 $'000
Departmental		
Appropriation Act (No. 1) 2019-20[1]	**-**	56,923
Appropriation Act (No. 1) 2019-20 - DCB	**-**	-
Appropriation Act (No. 2) 2019-20 - Equity	**-**	222
Appropriation Act (No. 3) 2019-20	**-**	16,462
Supply Act (No. 1) 2020-21	**1,771**	-
Supply Act (No. 2) 2020-21 - Equity	**237**	-
Appropriation Act (No. 1) 2020-21[1, 2]	**75,827**	-
Appropriation Act (No. 3) 2020-21	**6,303**	-
Total departmental	**84,138**	73,607

Authority	2021 $'000	2020 $'000
Administered		
Appropriation Act (No. 1) 2017-18[3]	**-**	7
Appropriation Act (No. 2) 2017-18[3]	**-**	60,000
Appropriation Act (No. 2) 2018-19	**44,850**	44,850
Appropriation Act (No. 3) 2018-19	**131**	131
Appropriation Act (No. 1) 2019-20	**959**	7,939
Appropriation Act (No. 3) 2019-20	**4,682**	5,682
Appropriation (Coronavirus Economic Response Package) Act (No. 1) 2019-2020 - Operating	**-**	5,030
Supply Act (No.1) 2020-21	**524**	-
Appropriation Act (No. 1) 2020-21	**38,001**	-
Appropriation Act (No. 3) 2020-21	**2,544**	-
Total administered	**91,691**	123,639

1. Cash held amounts (2021: $0.760 million, 2020: $0.651 million) are included in Appropriation Act (No.1) for the relevant year.

2. Appropriation Act (No. 1) 2020-21 includes unspent funds of $2.754 million in relation to two programs that terminated during 2020-21 that are required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and are therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2021.

3. 2017-18 Appropriation Acts have been repealed on 1 July 2020.

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering.

	Appropriation applied	
	2021	2020
Authority	**$'000**	$'000
Asian Development Bank (Additional Subscription) Act 1972, s7	**-**	-
Asian Development Bank (Additional Subscription) Act 1977, s7	**-**	-
Asian Development Bank (Additional Subscription) Act 1983, s6	**-**	-
Asian Development Bank (Additional Subscription) Act 1995, s6	**-**	-
Asian Development Bank (Additional Subscription) Act 2009, s6	**-**	(25,467)
Asian Development Bank Act 1966, s4	**-**	-
Asian Infrastructure Investment Bank Act 2015, s7	**-**	(215,376)
Australian Business Growth Fund (Coronavirus Economic Response Package) Act 2020, s18	**(4,778)**	-
Banking Act 1959, s69(8)	**-**	-
Commonwealth Places (Mirror Taxes) Act 1998, s23(4)	**(610,340)**	(593,240)
European Bank for Reconstruction and Development Act 1990, s4	**-**	-
Federal Financial Relations Act 2009, s22	**(92,369,988)**	(93,086,036)
Financial Agreements (Commonwealth Liability) Act 1932, s4(3)	**-**	-
Guarantee of State and Territory Borrowing Appropriation Act 2009, s5	**-**	-
Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Act 2020, s6	**(582)**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008, s5	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989, s6	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988, s5(1)	**-**	-
International Finance Corporation Act 1955	**(56,211)**	-
International Financial Institutions (Share Increase) Act 1982, s7(1)	**-**	-
International Financial Institutions (Share Increase) Act 1986, s7(1)	**-**	-
International Monetary Agreements Act 1947, s5a(6)	**-**	-
International Monetary Agreements Act 1947, s7(3)	**(584,000)**	(320,000)
International Monetary Agreements Act 1947, s7(4)	**-**	-
International Monetary Agreements Act 1947, s8	**(4,629)**	(48,204)
International Monetary Agreements Act 1947, s8A	**-**	-
International Monetary Agreements Act 1947, s8B(2)	**-**	-
International Monetary Agreements Act 1947, s8C(3)	**(2,453,635)**	-
International Monetary Agreements Act 1947, s8CAA(2)	**-**	-
International Monetary Agreements Act 1947, s8CA(4)	**-**	-
International Monetary Agreements Act 1947, s9	**(59,729)**	-
International Monetary Agreements Act 1960, s4	**-**	-
International Monetary Agreements Act 1974, s6	**-**	-
Medicare Guarantee Act 2017, s18[1]	**-**	-
Multilateral Investment Guarantee Agency Act 1997, S4	**-**	-
National Housing Finance and Investment Corporation Act 2018, s48A[1]	**-**	-
Papua New Guinea Loans Guarantee Act 1975, s4	**-**	-
Public Governance, Performance and Accountability Act 2013, s77	**(2)**	(14)
State Grants Act 1927, s7	**-**	-
Superannuation Industry (Supervision) Act 1993, s231(4)	**-**	-
Terrorism Insurance Act 2003, s37, s42(3)	**-**	-
Total	**(96,143,894)**	(94,288,337)

1. Refer to note 6.2 Special Accounts for payments made under the *Medicare Guarantee Act 2017* and the *National Housing Finance and Investment Corporation Act 2018.* These were previously included in the above table.

Note 6.1D: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

2021	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**
Total receipts	**23,464,612**	**40,690**
Total payments	**23,464,612**	**40,690**

2020	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**
Total receipts	23,739,808	5,172
Total payments	23,739,808	5,172

Total receipts and Total payments are made through the Treasury on behalf of other Commonwealth entities to State and Territory Treasuries under the COAG Arrangements.

6.2. Special Accounts

Note 6.2A: Special Accounts ('Recoverable GST exclusive')

	NHFIC Special Account[1]		Medicare Guarantee Fund (Treasury) Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**449,817**	239,677	**-**	-	**-**	-	**-**	-
Increases								
Appropriation for reporting period	**270,000**	310,000	**41,448,516**	37,961,055	**887,000**	730,000	**13,509,990**	8,647,666
Other receipts	**208,213**	212,000	**-**	-	**-**	-	**2,693,758**	2,322,278
Total increases	**478,213**	522,000	**41,448,516**	37,961,055	**887,000**	730,000	**16,203,748**	10,969,944
Available for payments	**928,030**	761,677	**41,448,516**	37,961,055	**887,000**	730,000	**16,203,748**	10,969,944
Decreases								
Administered								
Payments made to States and Territories	**-**	-	**-**	-	**-**	-	**(16,153,748)**	(10,969,944)
Payments made to other entities	**(180,761)**	(311,860)	**-**	-	**-**	-	**-**	-
Transfers made to Medicare Guarantee Fund (Health) Special Account	**-**	-	**(41,448,516)**	(37,961,055)	**-**	-	**-**	-
Transfer made to COAG Reform Fund Special Account	**-**	-	**-**	-	**(887,000)**	(730,000)	**-**	-
Total administered	**(180,761)**	**(311,860)**	**(41,448,516)**	**(37,961,055)**	**(887,000)**	**(730,000)**	**(16,153,748)**	**(10,969,944)**
Total decreases	**(180,761)**	(311,860)	**(41,448,516)**	(37,961,055)	**(887,000)**	(730,000)	**(16,153,748)**	(10,969,944)
Total balance carried to the next period	**747,269**	449,817	**-**	-	**-**	-	50,000	-
Balance represented by								
Cash held in Official Public Account	**747,269**	449,817	**-**	-	**-**	-	**50,000**	-
Total balance carried to the next period	**747,269**	449,817	**-**	-	**-**	-	**50,000**	-

1. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *National Housing Finance and Investment Corporation Act 2018*, section 47.A

Purpose: To secure funding for the establishment and operation of NHFIC's Affordable Housing Bond Aggregator (AHBA), which is to improve housing outcomes by providing cheaper and longer-term secured loan finance for community housing providers. NHFIC can access this funding through submitting a Utilisation Request to gain access to the funding at the Commonwealth cost of borrowing rate (up to the annual limit as outlined below).

The Commonwealth must credit the Account amounts equal to the following:

a. (a) $105 million, to be credited on the day this section commences;
b. (b) $310 million, to be credited on 1 July 2019;
c. (c) $270 million, to be credited on 1 July 2020;
d. (d) $165 million, to be credited on 1 July 2021; and each amount paid to the Commonwealth by the NHFIC (principal), on or after the day this section commences, that:
    i. (i) is a repayment of money debited from the Account, or of other money lent by the Commonwealth to the NHFIC; and
    i. (ii) is paid in accordance with the Investment Mandate.

Any principal repayment to the Commonwealth through this Account, may be "recycled" and the amount re-issued. Interest is used to cover the Commonwealth's cost of borrowing and cannot be 'recycled'.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *Medicare Guarantee Act 2017*, section 6.

Purpose: *The Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *Fuel Indexation (Road Funding) Special Account Act 2015*, subsection 8(1).

Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.

4. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *COAG Reform Fund Act 2008*, section 5.

Purpose: For the making of grants of financial assistance to the States and Territories.

Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.

5. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *Establishment of SOTEM Special Account – Treasury Determination 2012/09.*

Purpose: To disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies.

Note: Receipt relates to funding received and held on trust for the Global Infrastructure Hub.

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2020 and 30 June 2021 this special account had nil balances and no transactions were credited or debited to the account.

6.3. Net Cash Appropriation Arrangements

	2021 $'000	2020 $'000
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(4,656)**	(7,818)
Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/or equity injections)[1]	**10,370**	8,741
Plus: depreciation of right-of-use assets[2]	**10,007**	8,447
Less: lease principal repayments[2]	**(9,865)**	(7,270)
Total comprehensive income/(loss) less expenses previously funded through revenue appropriations	**5,856**	2,100
Changes in asset revaluation reserve	**(1,667)**	-
Net cash Operating Surplus/(Deficit)	**4,189**	2,100

1. From 2010-11, the Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses of non-corporate Commonwealth entities and selected corporate Commonwealth entities were replaced with a separate capital budget provided through equity injections. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

2. The inclusion of depreciation/amortisation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the impact of AASB 16 Leases, which does not directly reflect a change in appropriation arrangements.

7. Managing uncertainties

This section analyses how the Treasury manages financial risks within its operating environment.

7.1. Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

Contingent liabilities are nil in 2021 (2020: nil). There were no quantifiable contingent assets in 2021 (2020: nil).

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2. Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the schedule of administered items as quantifiable administered contingencies.

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The value of Australia's NAB credit arrangement stands at approximately 4.44 billion Special Drawing Rights (SDR, the IMF's unit of account) (approximately A$8.43 billion at 30 June 2021) (2020: SDR2.22 billion). In January 2021, the NAB was renewed for an additional five year period until 31 December 2025.

The Fund does not publish annual estimates of the amount it expects to call under the NAB facility. However, to be drawn upon, the NAB needs to be activated by the IMF Executive Board. The last NAB activation period was terminated in February 2016 and the IMF is currently relying on its quota resources to fund new lending (although the NAB can be called upon to fund IMF programs that were approved under previous activations). The IMF did not call on Australia's NAB facility in 2020-21 and, as at the completion of these statements, has not done so in the current year.

IMF Bilateral Borrowing Arrangement (BBA)

In addition to the NAB credit line as part of a broad international effort to increase the resources available to the IMF, Australia has made available an SDR1.986 billion (approximately A$3.77 billion at 30 June 2021) contingent bilateral loan to the IMF (2020: SDR4.61 billion). The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. Australia's three-year bilateral borrowing arrangement with the IMF was created in 2021 and will conclude on 31 December 2023, with the option to extend by one year.

Poverty Reduction and Growth Trust (PRGT)

To help the IMF provide concessional finance and support low-income countries to achieve, maintain, or restore a stable and sustainable macroeconomic position, Australia has made available a SDR500 million (approximately A$949 million at 30 June 2021) line of credit to the Poverty Reduction and Growth Trust (PRGT), which the IMF is the Trustee of. This contingent loan is on terms consistent with other PRGT loan agreements between the IMF and all contributing countries. It will be drawn by the IMF as they provide new loans through the PRGT and any loans will be repaid in full with interest. Australia's 10-year loan agreement with the PRGT was created in 2020 and will conclude on 31 December 2029.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription to the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$3.9 billion (estimated value A$5.2 billion as at 30 June 2021).

The Australian Government has also held an uncalled capital subscription to the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A$375.8 million as at 30 June 2021).

The Australian Government has further held an uncalled capital subscription to the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$8.3 billion (estimated value A$11.1 billion as at 30 June 2021).

The Australian Government has further held an uncalled capital subscription to the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$35.2 million as at 30 June 2021).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscrtiption. Australia's uncalled capital subscription to the AIIB totals US$3.0 billion (estimated value A$3.9 billion as at 30 June 2021).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

Australian Business Growth Fund

The Australian Government holds an uncalled capital subscription to the Australian Business Growth Fund. The uncalled capital subscription to the ABGF totals $95.22 million as at 30 June 2021.The Commonwealth committed $100 million in total to the Australian Business Growth Fund but drawdown is capped at 20% per year of its total commitment.

Loan to New South Wales for James Hardie Asbestos Injuries Compensation Fund

The Commonwealth has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No new loans were provided to the State Government of NSW in respect of the loan facility in 2020-21 (2019-20: nil).

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC)

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance to the time of sale. Any potential economic outflow cannot be determined accurately given the complexity of any estimation calculation of the economic outflow would be reliant upon numerous unquantifiable variables. Only at the time of the event, can the amount of economic outflow be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Commonwealth guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Guarantee by Commonwealth — NHFIC

NHFIC was established under the *National Housing Finance and Investment Corporation Act 2018* to perform the functions under Section 8 of the Act. NHFIC's operations are funded by the Commonwealth (refer to Notes 4.1.C, 5.1A and 5.1C) and by raising finance through the issuance of social housing bonds into the debt capital market. The Commonwealth Government has provided a guarantee of NHFIC's liabilities capped at $3 billion to encourage the development of the market for social housing bonds. The Minister for Housing may, by legislative instrument, set a date that the guarantee is effective to, but not earlier than, 1 July 2023. Under the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*, the Minister for Housing and Minister for Finance may also make adjustments to the cap.

Loans to NHFIC's Affordable Housing Bond Aggregator (AHBA)

The Commonwealth has agreed to make available amounts up to $1 billion to NHFIC's AHBA via a loan, as outlined in Note 6.2 Special accounts. Under the AHBA Loan Agreement with the Treasury, NHFIC can access the funds by completing a Utilisation Request and providing this to Treasury. Interest is to be charged on each individual loan at the Commonwealth's cost of borrowing.

The timing and amounts of potential drawdowns by NHFIC cannot be determined accurately. An additional complexity is the 'recycling' of funds repaid or prepaid by NHFIC, which can be re-borrowed by NHFIC.

The closing balance of AHBA loan drawdown is disclosed in Note 5.1B and any unused amount available at 30 June 2021 has been recorded in Note 5.1A Cash and cash equivalents and Note 6.2 Special accounts.

Disaster Recovery Funding Arrangements (DRFA) and Natural Disaster Relief and Recovery (NDRRA)

The Australian Government provides funding to States and Territories through the DRFA and NDRRA to assist with natural disaster relief and recovery costs. A State or Territory may claim NDRRA funding if a natural disaster occurs and State or Territory relief and recovery expenditure for that event meets the requirements set out in the respective DRFA and NDRRA Determinations. This combined liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. In the event where a natural disaster has occurred but the associated costs cannot be quantified reliably, the event is disclosed as a contingent liability. For a list of natural disasters that are included in the DRFA and NDRRA contingent liability, refer to Note 5.4 Administered – Provisions.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain external specialised advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the advisers' engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities.

Small & Medium Enterprises (SME) Guarantee Scheme (SMEGS) and Small & Medium Enterprises (SME) Recovery Loan Scheme (SMERLs- Flood and Job Keeper)

The Australian Government is supporting SMEs access to finance by providing a Guarantee to eligible lenders through the Coronavirus SME Guarantee Scheme, Show Starter Loan Scheme, and SME Recovery Loan Scheme.

The Australian Government provides a Guarantee to eligible lenders to enhance lenders' willingness and ability to provide credit, supporting many otherwise viable SMEs to access additional funding to continue operating through the outbreak of COVID-19. As the impact of COVID-19 evolves, so does the economic response. Refer to Note 5.2D Financial guarantees.

Contingent Assets

HIH Claims Support Scheme (HCSS)

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. The Treasury has received payments from the HIH Estate during 2019-20; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid charges on the loans of debtor members. Under burden sharing, temporary financing in equal amounts is obtained from debtor and creditor members by increasing the rate of charge and reducing the rate of remuneration, respectively, to (1) cover shortfalls in the IMF's regular income from unpaid charges ("deferred charges") and (2) accumulate precautionary balances against possible credit default in a contingent account, the Special Contingent Account (SCA-1). SCA-1 accumulations were suspended effective November 1, 2006.

On 29 June 2021, Australia contributed its full share of resources in the SCA-1 and deferred charges adjustments in the amount of SDR8.81 million (approximately A$16.72 million) to help finance the IMF's debt relief to Sudan. Since Sudan was the last protracted arrears case in the IMF, the SCA-1 has been terminated.

Due to the inherent uncertainty around shortfalls in IMF income, burden sharing contributions represent a contingent asset that cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

7.3. Financial Instruments

	2021 $'000	2020 $'000
Note 7.3A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**760**	651
Trade and other receivables - Goods and services receivables	**2,996**	4,980
Trade and other receivables - Other receivables	**648**	820
Total financial assets at amortised cost	**4,404**	6,451
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	**10,602**	10,775
Other payables	**3,984**	2,920
Total financial liabilities measured at amortised cost	**14,586**	13,695
Total financial liabilities	**14,586**	13,695

Accounting Policy

Financial assets

The Treasury classifies its financial assets in the following categories:

a) financial assets at fair value through profit or loss;
b) financial assets at fair value through other comprehensive income; and
c) financial assets measured at amortised cost.

The classification depends on both the Treasury's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the Treasury becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Financial Assets at Amortised Cost
Financial assets included in this category need to meet two criteria:
1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets classified as at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)
Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial Liabilities at Amortised Cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

7.4. Administered - Financial Instruments

	2021 $'000	2020 $'000
Note 7.4A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**797,269**	449,817
IMF related monies owing	**248**	320
IMF New Arrangements to Borrow loan	**120,471**	213,060
IMF PRGT loan	**378,812**	-
International assistance loans	**1,367,085**	-
Loans to States and Territories	**47,855**	47,855
Loans to NHFIC	**87,731**	115,183
IMF Maintenance of Value	**1,178,400**	-
Dividends receivable	**2,669,000**	2,563,000
Accrued interest - loans to NHFIC	**50**	53
Accrued interest - international loans	**5,150**	-
GST revenue allocations and COAG receivable	**3,597**	5,174,947
Other receivables	**112**	190
Total assets at amortised cost	**6,655,780**	8,564,425
Financial assets at fair value through other comprehensive income		
International financial institutions	**2,574,923**	2,670,472
Australian Government entities	**23,472,476**	30,426,751
Commonwealth companies	**-**	1,436
Australian Business Growth Fund	**4,778**	-
IMF Quota	**12,473,714**	13,213,510
Total assets at fair value through other comprehensive income	**38,525,891**	46,312,169
Financial assets at fair value through profit or loss		
Guarantee of State and Territory Borrowing contractual fee receivable	**1,406**	3,658
Total assets at fair value through profit or loss	**1,406**	3,658
Total financial assets	**45,183,077**	54,880,252
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**10,110,131**	10,051,022
Grant liabilities	**3,910,671**	126,753
IMF SDR allocation liability	**5,851,530**	6,198,575
Other payables	**505**	8,685
IMF Maintenance of Value	**-**	648,787
Total financial liabilities measured at amortised cost	**19,872,837**	17,033,822
Financial liabilities measured at fair value through profit or loss:		
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**1,406**	3,658
Financial guarantees	**407,167**	93,385
Total financial liabilities measured at fair value through profit or loss	**408,573**	97,043
Total financial liabilities	**20,281,410**	17,130,865

	2021 $'000	2020 $'000
Note 7.4B: Net Gains and Losses on Financial Assets		
Financial assets at amortised cost		
Interest revenue	**2,581**	5,643
Exchange gains/(loss)	**(9,560)**	8,112
Net gains/(losses) on financial assets at amortised cost	**(6,979)**	13,755
Financial assets at fair value through other comprehensive income		
Interest revenue	**1,983**	9,954
Exchange gains/(loss)	**(945,650)**	179,422
Net gains/(losses) on financial assets at fair value through other comprehensive income	**(943,667)**	189,376
Financial assets at fair value through profit and loss		
Guarantee of State and Territory Borrowing fee	**2,125**	2,462
Net gains/(losses) on financial assets at fair value through other comprehensive income	**2,125**	2,462
Net gains/(losses) on financial assets	**(948,521)**	205,593

	2021 $'000	2020 $'000
Note 7.4C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**4,381**	37,577
Exchange gains/(loss)	**1,525,446**	(736,022)
Net gains/(losses) on financial liabilities measured at amortised cost	**1,529,827**	(698,445)
Net gains/(losses) on financial liabilities	**1,529,827**	(698,445)

Note 7.4D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2021: $5.9 billion and 2020: $8.1 billion) and the carrying amount of 'equity accounted instruments' (2021: $38.5 billion and 2020: $46.3 billion – 'available for sale' financial assets).

The Treasury has performed assessments using historical data, financial statement data (audited and unaudited) and forward-looking data, including credit ratings, for transactions with other entities within the Commonwealth Government, other State and Territories governments and international financial institutions including the IMF. Based on the assessments, there is no indication that a significant increase in expected credit loss over next 12 months, or the lifetime of these transactions, will occur.

International financial institutions (including the IMF), the Australian Business Growth Fund, NHFIC and other Commonwealth entities that the Treasury holds its financial assets with, have a minimum AAA credit rating. The contractual fee receivable from the Guarantee of State and Territory Borrowing relates to State and Territory governments. These entities hold a minimum AA credit rating. Therefore, the Treasury does not consider any of its financial assets to be at risk of default. Further detail is provided in the Accounting Policy for Administered Financial Instruments.

Note 7.4E: Liquidity risk

The Treasury's administered financial liabilities are promissory notes, grant liabilities, the IMF SDR allocation and liabilities associated with the SME Guarantee Scheme and Loan Recovery Scheme. The contractual guarantee service obligation arising from the guarantee scheme for State and Territory borrowing is not included as there is no liquidity risk associated with this item. It is contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations.

The following tables illustrate the maturities for non-derivative financial liabilities:

Maturities for financial liabilities in 2021

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	**-**	**1,304,449**	**-**	**-**	**8,805,682**	**10,110,131**
Grant liabilities	**-**	**3,910,671**	**-**	**-**	**-**	**3,910,671**
IMF SDR allocation liabilities	**-**	**-**	**-**	**-**	**5,851,530**	**5,851,530**
Financial guarantees	**-**	**17,323**	**99,339**	**87,122**	**203,383**	**407,167**
Other payables	**-**	**485**	**-**	**-**	**-**	**485**
Total	**-**	**5,232,928**	**99,339**	**87,122**	**14,860,595**	**20,279,984**

Maturities for financial liabilities in 2020

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	-	10,051,022	10,051,022
Grant liabilities	-	126,753	-	-	-	126,753
IMF SDR allocation liabilities	-	-	-	-	6,198,575	6,198,575
Financial guarantees	-	-			93,385	93,385
Other payables	649,480	-	-	-	-	649,480
Total	649,480	126,753	-	-	16,342,982	17,119,215

Note 7.4F: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on profit and equity as at 30 June 2021 from a 7.9 per cent (30 June 2020 from a 8.4 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant. The change in the risk variable has been determined by reference to standard parameters provided by the Department of Finance.

Sensitivity analysis of the risk that the entity is exposed to for 2021

			Effect on	
Risk Variable	**Risk variable**	**Change in risk variable %**	**Net cost of services 2021 $'000**	**Net assets 2021 $'000**
IFI Investments	Exchange rate	7.9	**(188,304)**	**(188,304)**
IFI investments	Exchange rate	(7.9)	**220,564**	**220,564**
IMF Remuneration and Interest Receivable	Exchange rate	7.9	**(18)**	**(18)**
IMF Remuneration and Interest Receivable	Exchange rate	(7.9)	**21**	**21**
IMF new arrangements to borrow loan	Exchange rate	7.9	**(8,810)**	**(8,810)**
IMF new arrangements to borrow loan	Exchange rate	(7.9)	**10,319**	**10,319**
IMF PRGT	Exchange rate	7.9	**(29,225)**	**(29,225)**
IMF PRGT	Exchange rate	(7.9)	**34,232**	**34,232**
IMF Quota	Exchange rate	7.9	**(912,203)**	**(912,203)**
IMF Quota	Exchange rate	(7.9)	**1,068,479**	**1,068,479**
Promissory notes	Exchange rate	7.9	**(4,320)**	**(4,320)**
Promissory notes	Exchange rate	(7.9)	**5,060**	**5,060**
IMF SDR allocation liability	Exchange rate	7.9	**(427,923)**	**(427,923)**
IMF SDR allocation liability	Exchange rate	(7.9)	**501,233**	**501,233**
IMF Charges Payable	Exchange rate	7.9	**(35)**	**(35)**
IMF Charges Payable	Exchange rate	(7.9)	**42**	**42**

Sensitivity analysis of the risk that the entity is exposed to for 2020

			Effect on	
Risk Variable	Risk variable	Change in Risk variable %	Net cost of services 2020 $'000	Net assets 2020 $'000
IFI Investments	Exchange rate	8.4	(207,164)	(207,164)
IFI investments	Exchange rate	(8.4)	245,209	245,209
IMF Remuneration Receivable	Exchange rate	8.4	(25)	(25)
IMF Remuneration Receivable	Exchange rate	(8.4)	29	29
IMF new arrangements to borrow loan	Exchange rate	8.4	(16,528)	(16,528)
IMF new arrangements to borrow loan	Exchange rate	(8.4)	19,564	19,564
IMF Quota	Exchange rate	8.4	(1,025,050)	(1,025,050)
IMF Quota	Exchange rate	(8.4)	1,213,294	1,213,294
Promissory notes	Exchange rate	8.4	(5,020)	(5,020)
Promissory notes	Exchange rate	(8.4)	5,941	5,941
IMF SDR allocation liability	Exchange rate	8.4	(480,860)	(480,860)
IMF SDR allocation liability	Exchange rate	(8.4)	569,167	569,167
IMF Charges Payable	Exchange rate	8.4	(54)	(54)
IMF Charges Payable	Exchange rate	(8.4)	64	64

Accounting Policy

Administered financial instruments

AASB 9 identifies three classifications for financial instruments - those measured at (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (c) fair value through profit or loss (FVPL).

A financial asset shall be classified as at amortised cost if the financial asset is held within a business model to collect contractual cash flows and that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With the exception of dividends receivable, which is measured at fair value, financial assets at amortised cost are initially recognised at fair value and subsequently measured using the effective interest method. Financial assets at amortised cost include:

- IMF-related monies receivable;
- Loans to the IMF under the New Arrangements to Borrow;
- Loans to the IMF under the Poverty Reduction and Growth Trust;
- Loans to NHFIC;
- Loans to States and Territories
- International assistance loans; and
- Dividends receivable.

A financial asset shall be classified as at FVOCI when the financial asset is held within a business model to collect contractual cash flows and to sell the financial asset. In addition, the Department of Finance has mandated that all equity instruments must be recorded as FVOCI.

Financial assets recorded at FVOCI are initially measured at cost and subsequently measured at fair value and include:

- Investments in development banks;
- The IMF quota;
- Investment in the Australian Business Growth Fund; and
- Investments in Government entities.

Financial liabilities shall be classified as at amortised cost except for financial guarantee contracts.

Financial liabilities at amortised cost are initially measured at fair value and subsequently measured using the effective interest rate method. Financial liabilities at amortised cost include:

- SDR allocation;
- Promissory notes; and
- IMF related monies payable.

The contractual terms of promissory notes are non-interest bearing making the effective interest rate nil. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

The Treasury's administered financial guarantee contracts relate to the Small and Medium Enterprises Guarantee Scheme (SMEGS), Show Starter Loan Scheme (SSLS), the Small and Medium Enterprises Loan Recovery Scheme (SMERLS) and components of the Guarantee of State and Territory Borrowings. They are classified as financial liabilities at fair value through profit or loss. They are not treated as contingent liabilities, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The amounts recognised for the SMEGS, SSLS and SMERLS financial guarantee contracts are the expected losses on the total loan balance discounted to reporting date for these Schemes.

Recognition of the amounts for the Guarantee of State and Territory Borrowings only relate to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 7.2 Administered Contingent Assets and Liabilities.

7.5. Fair Value Measurement

Note 7.5A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2021	2020
	$'000	$'000
Non-financial assets[1]		
Property, plant and equipment - AUC[2]	**1,108**	2,404
Property, plant and equipment[2]	**9,884**	8,077
Library[2]	**764**	939
Buildings - AUC[2]	**2,776**	920
Buildings[2]	**19,988**	18,290
Total non-financial assets	**34,520**	30,630

1. The Treasury's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

2. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2021.

Accounting Policy

Comprehensive valuations are carried out once every three years. In the intervening years, an annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. The Treasury appointed Jones Lang LaSalle (JLL) to undertake a full revalution of all tangible property, plant and equipment assets as at 30 June 2021.

Where possible, asset valuations are based upon observable inputs to the extent they are available. Where this information is not available, valuation techniques rely upon unobservable inputs. The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

All Asset Classes - Physical Depreciation and Obsolescence

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

Library - Replacement cost

The value of the library was determined on the basis of the average cost for items within each collection. The replacement cost has considered purchases over recent years and these have been evaluated for reasonableness against current market prices.

The Treasury's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

7.6. Administered - Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 7.6A: Fair Value Measurements, Valuation Techniques and Inputs Used
Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2021

	Fair value measurements at the end of the reporting period using			
	2021 $'000	2020 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
Financial assets:				
International financial institutions:	**2,574,923**	2,670,472	**3**	**Value of shares held**
Asian Development Bank	***582,976***	*617,551*		
Asian Infrastructure and Investment Bank	***981,910***	*1,075,623*		
European Bank for Reconstruction and Development	***99,051***	*102,438*		
International Bank for Reconstruction and Development	***368,269***	*340,014*		
International Finance Corporation	***534,469***	*525,811*		
Multilateral Investment Guarantee Agency	***8,248***	*9,035*		
Australian Government entities:	**23,472,476**	30,426,751	**3**	**Net assets**
Reserve Bank of Australia	***22,466,000***	*29,601,000*		
Australian Reinsurance Pool Corporation	***595,429***	*520,526*		
NHFIC	***411,047***	305,225		
Commonwealth companies:	**-**	1,436	**3**	**Net assets**
Financial Adviser Standards and Ethics Authority Ltd	***-***	*1,436*		
Other investments:	**12,478,492**	13,213,510	**3**	**Value of quota held**
Australian Business Growth Fund	***4,778***	-		
IMF quota	***12,473,714***	*13,213,510*		
Total financial assets	**38,525,891**	46,312,169		
Total fair value measurements	**38,525,891**	46,312,169		

1. No change in valuation techniques occurred during the period.
2. Significant observable inputs only.

Fair value measurements

The highest and best use of Treasury's investments in Australian Government entities does not differ because the fair value is based on the net asset position of the entity.

The highest and best use of Treasury's investments in International Financial Institutions does not differ because the fair value is based on the value of shares held in the relevant institution.

Note 7.6B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.6C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets			
	Investments		Total	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
As at 1 July	**46,312,169**	43,954,514	**46,312,169**	43,954,514
Opening adjustment for AASB 9	**-**	-	**-**	-
Total gains/(losses) recognised in other comprehensive income	**(7,120,710)**	1,297,692	**(7,120,710)**	1,297,692
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain/(loss)	**(739,797)**	185,958	**(739,797)**	185,958
International Financial Institutions foreign exchange gain/(loss)	**(211,490)**	(5,154)	**(211,490)**	(5,154)
Share Purchases				
Increase in investments in Australian Business Growth Fund	**4,778**	-	**4,778**	-
Increase in investments in NHFIC	**165,000**	165,000	**165,000**	165,000
Increase in investments in the International Financial Institutions	**115,941**	714,159	**115,941**	714,159
Sales				
IMF general review Quota Payments	**-**	-	**-**	-
Issues	**-**	-	**-**	-
Settlements	**-**	-	**-**	-
Transfers into Level 3	**-**	-	**-**	-
Transfers out of Level 3	**-**	-	**-**	-
Total as at 30 June	**38,525,891**	46,312,169	**38,525,891**	46,312,169
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**(7,786,278)**	2,357,655	**(7,786,278)**	2,357,655

8. Other Information

8.1. Current/Non-current Distinction for Assets and Liabilities

	2021 $'000	2020 $'000
Note 8.1A: Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**760**	651
Trade and other receivables	**87,112**	79,959
Prepayments	**4,593**	3,433
Total no more than 12 months	**92,465**	84,043
More than 12 months		
Land and buildings	**153,352**	137,650
Plant and equipment	**11,773**	11,447
Intangibles	**16,734**	13,163
Trade and other receivables	**79**	93
Prepayments	**1,853**	1,831
Total more than 12 months	**183,791**	164,184
Total assets	**276,256**	248,227
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers		
Suppliers	**10,602**	10,775
Other payables	**3,984**	2,920
Leases	**9,966**	7,090
Employee provisions	**16,259**	13,519
Provision for restoration	**162**	-
Total no more than 12 months	**40,973**	34,304
More than 12 months		
Loans		
Leases	**126,547**	115,710
Employee provisions	**52,086**	49,655
Provision for restoration	**5,348**	4,229
Total more than 12 months	**183,981**	169,594
Total liabilities	**224,954**	203,898

	2021 $'000	2020 $'000
Note 8.1B: Administered - Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**797,269**	449,817
Trade and other receivables	**3,857,682**	7,742,101
Loans	**100,000**	-
Total no more than 12 months	**4,754,951**	8,191,918
More than 12 months		
Trade and other receivables	**640**	1,464
Loans	**1,901,954**	376,098
Investments	**38,525,891**	46,312,169
Total more than 12 months	**40,428,485**	46,689,731
Total assets	**45,183,436**	54,881,649
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	**20**	7,992
Grants	**3,910,671**	126,753
Other payables	**10,646**	7,361
Unearned income	**766**	2,194
Promissory notes	**1,304,449**	-
Financial guarantees	**17,323**	-
Other provisions	**781,301**	1,194,080
Total no more than 12 months	**6,025,176**	1,338,380
More than 12 months		
Other payables	**5,851,530**	6,847,362
Unearned income	**640**	1,464
Promissory notes	**8,805,682**	10,051,022
Financial guarantees	**389,844**	93,385
Other provisions	**871,532**	693,308
Total more than 12 months	**15,919,228**	17,686,541
Total liabilities	**21,944,404**	19,024,921

8.2. Restructuring

Note 8.2A
On 28 February 2021, following the announcement of the *Treasury Laws Amendment (2020 Measures No.6) Act 2020*, Schedule 6, Part 6, the Consumer Data Right rules and sectors assessment function transferred from the Australian Competition and Consumer Commission to the Treasury.

On 28 February 2021, the Data Standards Body function transferred from the Commonwealth Scientific and Industrial Research Organisation to the Treasury as agreed at the 2020-21 Budget.

On 15 April 2021, the Governor-General made amendments to the Administrative Arrangements Order made on 18 March 2021 including the transfer of the responsibility for the small business functions from the Department of Industry, Science, Energy and Resources to the Treasury.

	2021 CDR[1] $'000	2021 DSB[2] $'000	2021 Small business and ASBFEO[3] $'000
Note 8.2A: Departmental restructuring			
FUNCTIONS ASSUMED			
Assets recognised			
Trade and other receivables	**46**	**-**	**-**
Property, plant and equipment	**-**	**-**	**714**
Intangibles	**-**	**-**	**2,325**
Total assets recognised	**46**	**-**	**3,039**
Liabilities recognised			
Payables	**-**	**-**	**131**
Leases	**-**	**-**	**312**
Employee provisions	**46**	**55**	**2,939**
Other provisions	**-**	**-**	**147**
Total liabilities recognised	**46**	**55**	**3,529**
Net assets/(liabilities) assumed	**-**	**(55)**	**(490)**
Income assumed			
Recognised by the losing entity	**-**	**-**	**14,744**
Total Income	**-**	**-**	**14,744**
Expenses assumed			
Recognised by the losing entity	**2,451**	**2,165**	**12,215**
Total Expenses assumed	**2,451**	**2,165**	**12,215**

There were no departmental restructures in 2019-20.

1. Consumer Data Rights (CDR) rules and sectors assessment function transfer from the Australian Competition and Consumer Commission.

2. Data Standards Body (DSB) function transfer from the Commonwealth Scientific and Industrial Research Organisation.

3. Small Business and Australian Small Business and Family Enterprise Ombudsman (ASBFEO) function transfer from the Department of Industry, Science, Energy and Resources.

Note 8.2B
On 15 April 2021, the Governor-General made an Executive Order to abolish the Infrastructure and Project Financing Agency (IPFA) as an Executive Agency commencing from the end of 30 April 2021. IPFA will continue as a separately branded activity within the Treasury.

IPFA	1/07/2020[1] $'000	1/05/2021[2] $'000
Note 8.2B: Departmental Restructuring - Balance Sheet		
FUNCTIONS ASSUMED		
Assets recognised		
Financial assets		
Cash and cash equivalents	505	-
Trade and other receivables	1,448	1,580
Total financial assets	1,953	1,580
Non-financial assets		
Buildings	2,198	1,802
Prepayments	63	93
Total non-financial assets	2,261	1,895
Total assets recognised	4,214	3,475
Liabilities recognised		
Payables		
Suppliers	1,034	111
Other payables	135	959
Total payables	1,169	1,070
Interest bearing liabilities		
Leases	1,896	1,578
Total interest bearing liabilities	1,896	1,578
Provisions		
Employee provisions	613	778
Provision for restoration	148	148
Total provisions	761	926
Total liabilities recognised	3,826	3,574
Net assets/(liabilities) assumed	388	(99)
Equity recognised		
Contributed equity	105	105
Retained earnings	283	(204)
Total equity recognised	388	(99)

1. In accordance with the requirements of the *Public Governance, Performance and Accountability Rule 2014*, the Treasury has reported the IPFA function as if it was part of the Treasury for the entire 2020-21 reporting period. IPFA comparative data is available in IPFA's 2019-20 Annual Report.

2. The Treasury assumed all of the functions of IPFA from 1 May 2021.

	2021 Small business and ASBFEO the Department of Industry, Science, Energy and Resources
	$'000
Note 8.2C: Administered restructuring	
FUNCTIONS ASSUMED	
Liabilities Recognised	
Payable	**20**
Total Liabilites Recognised	**20**
Net assets/(liabilities) Recognised	**(20)**

The were no administered restructures in 2019-20.

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2021

		Treasury	IPFA	
	Actual	**Original Budget[1]**	**Original Budget[1]**	Variance to Original Budget[2]
	2021	**2021**	**2021**	2021
	$'000	**$'000**	**$'000**	$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	**172,771**	**174,638**	**4,268**	(6,135)
Suppliers	**80,818**	**78,993**	**1,135**	690
Grants	**554**	**958**	**-**	(404)
Depreciation and amortisation	**20,377**	**13,694**	**481**	6,202
Write-down and impairment of assets	**1,141**	**-**	**-**	1,141
Finance costs	**1,830**	**1,949**	**18**	(137)
Other expenses	**72**	**-**	**-**	72
Total expenses	**277,563**	**270,232**	**5,902**	1,429
Own-source income				
Own-source revenue				
Sale of goods and rendering of services	**8,158**	**10,251**	**-**	(2,093)
Other revenues	**3,898**	**4,905**	**49**	(1,056)
Total own-source revenue	**12,056**	**15,156**	**49**	(3,149)
Gains				
Other gains	**102**	**-**	**-**	102
Total gains	**102**	**-**	**-**	102
Total own-source income	**12,158**	**15,156**	**49**	(3,047)
Net cost of services	**(265,405)**	**(255,076)**	**(5,853)**	(4,476)
Revenue from Government	**259,082**	**246,499**	**5,754**	6,829
Surplus / (Deficit)	**(6,323)**	**(8,577)**	**(99)**	2,353
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves	**1,667**	**-**	**-**	1,667
Total other comprehensive income	**1,667**	**-**	**-**	1,667
Total comprehensive income/(loss) attributable to the Australian Government	**(4,656)**	**(8,577)**	**(99)**	4,020

1. The Treasury's and IPFA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's and IPFA's 2020-21 Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2021. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Depreciation and amortisation is $6.2 million (44%) more than the original budget as a result of the recognition of additional ROU assets and leasehold improvements that had not been budgeted for.	Depreciation and amortisation
Write-down and impairment of assets is $1.141 million (100%) more than the original budget, primarily due to the write-off of superseded fitout works.	Write-down and impairment of assets
Sale of goods and rendering of services is $2.093 million (20%) less than the original budget, due to the reduction in revenue from a number of sources, including shared services income, as a result of the reduction in services provided by Treasury to portfolio agencies; contribution income, associated with the decision to disband the Legislative and Governance Forum on Consumer Affairs (CAF) during 2020-21; and DFAT funding recognition, due to the impact of COVID on the delivery of aid projects.	Sale of goods and rendering of services
Other revenues is $1.056 million (21%) less than the original budget, due to a reduction in secondments received free of charge this year.	Other revenues

Statement of Financial Position
as at 30 June 2021

	Actual	Treasury Original Budget[1]	IPFA Original Budget[1]	Variance to Original Budget[2]
	2021	**2021**	**2021**	2021
	$'000	**$'000**	**$'000**	$'000
ASSETS				
Financial assets				
Cash and cash equivalents	**760**	**651**	**530**	(421)
Trade and other receivables	**87,191**	**80,322**	**1,424**	5,445
Total financial assets	**87,951**	**80,973**	**1,954**	5,024
Non-financial assets				
Buildings	**153,352**	**132,439**	**1,568**	19,345
Plant and equipment	**11,773**	**11,234**	**150**	389
Intangibles	**16,734**	**15,466**	**-**	1,268
Prepayments	**6,446**	**5,264**	**63**	1,119
Total non-financial assets	**188,305**	**164,403**	**1,781**	22,121
Total assets	**276,256**	**245,376**	**3,735**	27,145
LIABILITIES				
Payables				
Suppliers	**10,602**	**10,775**	**1,035**	(1,208)
Other payables	**3,984**	**2,929**	**136**	919
Total payables	**14,586**	**13,704**	**1,171**	(289)
Interest bearing liabilities				
Leases	**136,513**	**117,683**	**1,513**	17,317
Total interest bearing liabilities	**136,513**	**117,683**	**1,513**	17,317
Provisions				
Employee provisions	**68,345**	**63,435**	**613**	4,297
Provision for restoration	**5,510**	**4,229**	**148**	1,133
Total provisions	**73,855**	**67,664**	**761**	5,430
Total liabilities	**224,954**	**199,051**	**3,445**	22,458
Net assets	**51,302**	**46,325**	**290**	4,687
EQUITY				
Asset revaluation reserve	**14,343**	**12,676**	**-**	1,667
Contributed equity	**109,519**	**108,463**	**105**	951
Retained earnings	**(72,560)**	**(74,814)**	**185**	2,069
Total equity	**51,302**	**46,325**	**290**	4,687

1. The Treasury's and IPFA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's and IPFA's 2020-21 Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2021. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Buildings were $19.345 million (14%) more than the original budget, due to the addition of two new ROU assets - an additional level at 530 Collins St in Melbourne and the IPFA lease in Sydney; a modification to the Treasury Building lease; market reviews on existing leases; and a revaluation increment following the formal valuation of property, plant and equipment at 30 June 2021.	Buildings
Prepayments were $1.119 million (21%) more than the original budget due to the upfront payment for a 3-year Cisco Webex Enterprise agreement that commenced on 30 June 2021 and the change in the timing of the payment of TechOne annual licence fees from December to April, commencing in 2021.	Prepayments
Leases were $17.317 million (15%) more than the original budget, which can be explained by the addition of two new lease liabilities - an addition level at 530 Collins St in Melbourne and the IPFA lease in Sydney - as well as a modification to the Treasury Building lease, and market reviews on existing leases.	Leases
Suppliers were $1.208 million (10%) less than the original budget, due to the timing of payments to suppliers.	Suppliers
Other provisions were $1.133 million (26%) more than the orignal budget, due to the revaluation of the makegood provision at 30 June 2021, and the recognition of new make good provisions for the additional level at 530 Collins Street, Melbourne, and those associated with MoG transfers (IPFA - 60 Castlereach St, Sydney and ASBFEO - 15 Moore St, Canberra City).	Provision for restoration
Asset Revaluation Reserves were $1.667 million (13%) more than the original budget, as a result of the increase in the fair value of Treasury's property, plant and equipment following a formal revaluation at 30 June 2021, partially offset by the revaluation of the makegood provision, which also increased in value.	Asset revaluation reserve

Statement of Changes in Equity
for the period ended
30 June 2021

	Retained earnings				Asset revaluation surplus				Contributed equity/capital				Total equity			
	Actual	Treasury Original Budget[1]	IPFA Original Budget[1]	Variance[2]	Actual	Treasury Original Budget[1]	IPFA Original Budget[1]	Variance[2]	Actual	Treasury Original Budget[1]	IPFA Original Budget[1]	Variance[2]	Actual	Treasury Original Budget[1]	IPFA Original Budget[1]	Variance[2]
	2021	**2021**	**2021**	2021	**2021**	**2021**	**2021**	2021	**2021**	**2021**	**2021**	2021	**2021**	**2021**	**2021**	2021
	$'000	**$'000**	**$'000**	$'000	**$'000**	**$'000**	**$'000**	$'000	**$'000**	**$'000**	**$'000**	$'000	**$'000**	**$'000**	**$'000**	$'000
Opening balance as at 1 July	**(66,237)**	**(66,237)**	**284**	(284)	**12,676**	**12,676**	**-**	-	**97,890**	**97,890**	**105**	(105)	**44,329**	**44,329**	**389**	(389)
Adjustments to opening balance	**-**	**-**	**-**	-		**-**	**-**	-			**-**	-	**-**	**-**	**-**	-
Comprehensive income												-	**-**	**-**	**-**	-
Other comprehensive income	**-**	**-**	**-**	-	**2,337**	**-**	**-**	2,337	**-**	**-**	**-**	-	**2,337**	**-**	**-**	2,337
Changes in provision for restoration		**-**	**-**	-	**(670)**	**-**	**-**	(670)		**-**	**-**	-	**(670)**	**-**	**-**	(670)
Surplus (Deficit) for the period	**(6,323)**	**(8,577)**	**(99)**	2,353	**-**	**-**	**-**	-	**-**	**-**	**-**	-	**(6,323)**	**(8,577)**	**(99)**	2,353
Total comprehensive income	**(6,323)**	**(8,577)**	**(99)**	2,353	**1,667**	**-**	**-**	1,667	**-**	**-**	**-**	-	**(4,656)**	**(8,577)**	**(99)**	4,020
Transactions with owners																
Contributions by owners																
Equity injection appropriation	**-**	**-**	**-**	-	**-**	**-**	**-**	-	**342**	**-**	**-**	342	**342**	**-**	**-**	342
Departmental capital budget appropriation	**-**	**-**	**-**	-	**-**	**-**	**-**	-	**11,548**	**10,573**	**-**	975	**11,548**	**10,573**	**-**	975
Restructuring[2]	**-**	**-**	**-**	-	**-**	**-**	**-**	-	**(261)**	**-**	**-**	(261)	**(261)**	**-**	**-**	(261)
Total transactions with owners	**-**	**-**	**-**	-	**-**	**-**	**-**	-	**11,629**	**10,573**	**-**	1,056	**11,629**	**10,573**	**-**	1,056
Closing balance as at 30 June	**(72,560)**	**(74,814)**	**185**	2,069	**14,343**	**12,676**	**-**	1,667	**109,519**	**108,463**	**105**	951	**51,302**	**46,325**	**290**	4,687

1. The Treasury's and IPFA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's and IPFA's 2020-21 Portfolio Budget Statements (PBS)).
2. Between the actual and total original budgeted amounts for 2021. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	**Affected line items**
Decrease in deficit of $2.353 million (27%) relates directly to the Statement of Comprehensive Income variances	Surplus/(Deficit) for the period

Cash Flow Statement

for the period ended 30 June 2021

	Actual 2021 $'000	Treasury Original Budget[1] 2021 $'000	IPFA Original Budget[1] 2021 $'000	Variance to Original Budget[2] 2021 $'000
OPERATING ACTIVITIES				
Cash received				
Appropriations	**273,761**	**246,229**	**5,779**	21,753
Sale of goods and rendering of services	**9,035**	**10,251**	**-**	(1,216)
GST received	**7,729**	**-**	**-**	7,729
Other	**1,747**	**772**	**-**	975
Total cash received	**292,272**	**257,252**	**5,779**	29,241
Cash used				
Employees	**169,503**	**174,368**	**4,268**	(9,133)
Suppliers	**77,840**	**74,860**	**1,086**	1,894
Grants	**554**	**-**	**-**	554
Section 74 receipts transferred to OPA	**29,005**	**-**	**-**	29,005
GST paid	**7,909**	**-**	**-**	7,909
Interest payments on lease liabilities	**1,743**	**1,949**	**17**	(223)
other	**-**	**958**	**-**	(958)
Total cash used	**286,554**	**252,135**	**5,371**	29,048
Net cash from/(used by) operating activities	**5,718**	**5,117**	**408**	193
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of plant and equipment	**67**	**-**	**-**	67
Total cash received	**67**	**-**	**-**	67
Cash used				
Purchase of Buildings	**4,595**	**-**		4,595
Purchase of plant and equipment	**3,582**	**10,573**	**1**	(6,992)
Purchase of intangibles	**5,003**	**-**	**-**	5,003
Total cash used	**13,180**	**10,573**	**1**	2,606
Net cash from/(used by) investing activities	**(13,113)**	**(10,573)**	**(1)**	(2,539)
FINANCING ACTIVITIES				
Cash received				
Contributed equity - departmental capital budget	**11,832**	**10,573**	**-**	1,259
Contributed equity - equity injections	**327**	**-**	**-**	327
Restructuring - s75 cash transfer in	**5,210**	**-**	**-**	5,210
Total cash received	**17,369**	**10,573**	**-**	6,796
Cash used				
Principal payments of lease liabilities	**9,865**	**5,117**	**382**	4,366
Total cash used	**9,865**	**5,117**	**382**	4,366
Net cash from/(used by) financing activities	**7,504**	**5,456**	**(382)**	2,430
Net increase/(decrease) in cash held	**109**	**-**	**25**	84
Cash at the beginning of the reporting period	**651**	**651**	**505**	(505)
Cash at the end of the reporting period	**760**	**651**	**530**	(421)

1. The Treasury's and IPFA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's and IPFA's 2020-21 Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2021. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	**Affected line items**
The original budget cash flow statement did not split the purchases of property, plant and equipment (PP&E) and intangibles between each asset class, but presented the purchases at an aggregate level and has been analysed as such. The net cash used during 2020-21 of $13.2 million was driven by: - $8.6 million used for the development of the Federal Payments Management System, the FID compliance system, Treasury's desktop modernisation project and other information technology systems and infrastructure upgrades; - $4.6 million invested on the continued Treasury Building Block and Stack projects and other fitouts.	Net Cash from/(used by) investing activities
The contributors to the variance in Financing activities include the restructuring cash transfers received as a result of the MoGs (unknown when the original budget was set), and the additional principal payments on leases associated with new leases entered into this year, and modifications to, and market reviews of, existing leases.	Net Cash from/(used by) financing activities

9.2. Administered Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2021

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2021	2021	2021
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	117,803,920	106,619,834	11,184,086
Medicare Guarantee Fund	41,448,516	41,024,052	424,464
Interest	4,381	43,406	(39,025)
NHFIC operating funding	59,004	67,727	(8,723)
Suppliers	344,497	20,915	323,582
Concessional loan discount	728,434	65,537	662,897
Total expenses	160,388,752	147,841,471	12,547,281
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	623,625	623,850	(225)
Interest	20,262	23,779	(3,517)
Dividends	2,682,987	2,184,000	498,987
COAG revenue from government agencies	1,810,356	2,426,070	(615,714)
Other	94,553	94,952	(399)
Unwinding of concessional loan discount	38,564	3,170	35,394
Total non-taxation revenue	5,270,347	5,355,821	(85,474)
Total revenue	5,270,347	5,355,821	(85,474)
Gains			
Foreign exchange	570,235	(58,770)	629,005
Total gains	570,235	(58,770)	629,005
Total income	5,840,582	5,297,051	543,531
Net cost of (contribution by) services	(154,548,170)	(142,544,420)	(12,003,750)
Surplus/(Deficit)	(154,548,170)	(142,544,420)	(12,003,750)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Interagency Transfer	(20)	-	(20)
Changes in asset revaluation surplus	(7,120,710)	-	(7,120,710)
Total comprehensive income	(7,120,730)	-	(7,120,730)
Total comprehensive income/(loss)	(161,668,900)	(142,544,420)	(19,124,480)

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2. Between the actual and original budgeted amounts for 2021. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Grants expense is $11.2 billion more than the original budget primarily as a result of GST collections being higher than anticipated, as well as increased demand for COVID19-related financial support such as homebuilder and COVID public heatlh initiatives.	Grants
Decrease in asset revaluation surplus for 2020-21 totalled $7.1 billion. The changes are mainly driven by the movement in the net asset position of the Reserve Bank of Australia.	Changes in asset revaluation surplus

Administered Schedule of Assets and Liabilities
as at 30 June 2021

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2021	2021	2021
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**797,269**	**684,935**	112,334
Loans and other receivables	**5,860,276**	**3,554,691**	2,305,585
Investments	**38,525,891**	**46,547,292**	(8,021,401)
Total financial assets	**45,183,436**	**50,786,918**	(5,603,482)
Non-financial assets			
Other	**-**	**-**	-
Total non-financial assets	**-**	**-**	-
Total assets administered on behalf of Government	**45,183,436**	**50,786,918**	(5,603,482)
LIABILITIES			
Payables			
Grants	**3,910,671**	**34,676**	3,875,995
Other payables	**5,862,196**	**6,205,338**	(343,142)
Financial Guarantee	**407,167**	**93,385**	313,782
Unearned income	**1,406**	**1,566**	(160)
Total payables	**10,181,440**	**6,334,965**	3,846,475
Interest bearing liabilities			
Promissory notes	**10,110,131**	**10,264,016**	(153,885)
Total interest bearing liabilities	**10,110,131**	**10,264,016**	(153,885)
Provisions			
NDRRA Provisions	**1,619,217**	**992,284**	626,933
Other provisions	**33,616**	**21,882**	11,734
Total provisions	**1,652,833**	**1,014,166**	638,667
Total liabilities administered on behalf of government	**21,944,404**	**17,613,147**	4,331,257
Net assets	**23,239,032**	**33,173,771**	(9,934,739)

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2. Between the actual and original budgeted amounts for 2021. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Loans and other receivables is $2.3 billion (65%) more than the original budget primarily due to the IMF maintenance of value foreign exchange gain of $1.1 billion, IMF PRGT loan drawdown and RBA proposed dividend for 2020-21 being higher than the budget estimate.	Loans and other receivables
Investments decrease of $8.0 billion (17%) is mainly driven by the change in the net asset position of the Reserve Bank of Australia, and other investments in international financial institutions as a result of changes in foreign exchange rates.	Investments
Grants payable is $3.9 billion more than the original budget primarily due to the recognition of $3.3 billion in GST payable to the States and Territories as at 30 June 2021.	Payables - Grants