

CHAPTER 1

INTRODUCTION

This document complements the information contained in Budget Paper No 1 ("Budget Statements") and contains the three annual Appropriation Bills — Appropriation (Parliamentary Departments) Bill 1997-98, Appropriation Bill (No. 1) 1997-98 and Appropriation Bill (No. 2) 1997-98 — which appropriate moneys of the Consolidated Revenue Fund (CRF) for the Departments of the Parliament, for the ordinary annual services of the Government and for certain other purposes. These annual appropriations comprise some 30 per cent of Budget outlays; the remaining 70 per cent of outlays are appropriated by special (or standing) appropriations of the CRF or the Loan Fund under specific purpose Acts of Parliament, or are met from the Trust Fund. In addition, certain appropriations of the CRF and Loan Fund involve payments not included in outlays, either because they are classified as financing transactions, or because they are netted against Budget receipts as Budget revenue.

The tables in this document provide details of estimated payments under special or standing appropriations of the CRF and Loan Fund, together with details of estimated Commonwealth receipts from all sources — taxation, customs, excise and receipts from charges for services. They also provide information reconciling payments of the three Commonwealth Funds — CRF, Loan Fund and Trust Fund — with the concept of outlays adopted in other Budget Papers (primarily Paper No. 1). While a detailed dissection of prospective financing transactions for the 1997-98 financial year is not possible at this stage, Table 1 provides information on the likely contributions of the CRF and Loan Fund/Trust Fund to financing the Budget deficit.

Details of salaries and staffing as well as the estimates for certain statutory authorities have been included in Portfolio Budget Statements prepared by Portfolio Ministers for the purposes of Senate Legislation Committees' examination of proposed appropriations; the Portfolio Budget Statements are to be published as Budget Related Papers and tabled in the Senate.

The estimates of receipts and payments in this document are predicated on the cash basis of accounting — that is as funds flow into, within, and out of the Commonwealth Public Account (CPA). Receipts are brought to account in the period in which they are received and payments are accounted for when the actual disbursement is made from the CPA.

The presentation of the Commonwealth's accounts in this form is predominantly concerned with ensuring money is legally able to be spent and is spent on the purpose for which it was provided.

ALTERNATIVE CLASSIFICATIONS OF COMMONWEALTH FINANCIAL TRANSACTIONS

Since the framework of government accounting practices was formalised in the Constitution and the *Audit Act 1901*, there have been substantial developments both in

economic thinking and in the role of Government in the economy. With these developments has come a demand for new uses of statistics on the Government's financial transactions that could not have been envisaged by those who designed a system to meet the needs of the day at the time of Federation.

While the recording of government transactions between the CRF, the Loan Fund and the Trust Fund is made on other than economic criteria, it is possible to reclassify the recorded figures to produce a picture of government transactions that has an economic rather than a purely accounting relevance.

The functional classification brings together outlays directed towards like objectives or purposes. It thus facilitates presentation of information on the basic purposes of Government activities and on the total resources devoted by the Commonwealth to those purposes and allows international comparisons independently of local administrative structures.

The economic type classification is designed to facilitate the study of the macro-economic impact of Commonwealth transactions on the economy and to provide the means of grouping transactions in the Australian Bureau of Statistics (ABS) Government Finance Statistics and the Australian National Accounts. The classification embodies the economic concepts of outlays, revenue, financing items and the headline budget balance (deficit/surplus). Outlays are further divided into current and capital classifications.

For further information see Statement No. 7 and Statement 6 Appendix D in Budget Paper No. 1 1997-98. Summary descriptions of the broad manner in which outlays are classified to the major functional groups are contained in the guide to readers in Statement No. 3 in Budget Paper No. 1 1996-97.

An important source of data on the Commonwealth's accounts is the monthly Statement of Commonwealth Financial Transactions (more commonly known by its acronym CFT) published by the Minister for Finance pursuant to section 49 of the *Audit Act 1901* which combines data along traditional lines with a consolidated summary of the Government's financial transactions in functional form. An extension of this information is provided in Statement No. 4 of Budget Paper No. 1 1997-98.

The Portfolio Budget Statements present financial and staffing information (estimated for both 1997-98 and 1996-97) classified on a program basis. Such classifications are intended to facilitate the assessment of program effectiveness against defined objectives, and the efficiency of programs in the control and use of resources. Program performance and financial statements prepared on an accruals basis are reported after the end of the financial year in the annual reports of departments.

THE THREE FUNDS IN THE COMMONWEALTH PUBLIC ACCOUNT

All Commonwealth Government accounting transactions are recorded in the Commonwealth Public Account (CPA). The CPA is made up of the three separate funds; the Consolidated Revenue Fund (CRF), the Loan Fund and the Trust Fund.

The CRF is the principal working fund of the Commonwealth and is mainly financed by taxation, fees and other non-tax receipts. Section 83 of the Constitution requires an appropriation of moneys by the Parliament before any payment can be made from the CRF. These follow two forms:

- (i) annual appropriations consisting of the Appropriation Acts (Nos. 1-4) and the Appropriation (Parliamentary Departments) Acts (Nos. 1 and 2); and
- (ii) special or standing appropriations.

Authority for the establishment of the Loan Fund and the Trust Fund comes from sections 55 and 60, respectively, of the *Audit Act 1901*. All moneys raised by loan on the public credit of the Commonwealth are paid to the Loan Fund. Payments from the Loan Fund are limited to the purpose or purposes for which moneys are originally raised as specified in the Acts authorising the moneys to be borrowed.

The Trust Fund comprises "trustee Funds", the "working accounts" of certain government agencies and other funds. Heads of the Trust Fund and the Trust Accounts comprising the Trust Fund are classified into three groups:

- moneys held in trust for persons and authorities other than the Commonwealth Government;
- working accounts covering certain quasi-commercial activities;
- other moneys held in trust under authority of the Parliament to meet future expenditure; and

Further details on the three funds and a summary of the transactions recorded through them in 1996-97 and 1997-98 will be reported in Section 1 of the "Aggregate Financial Statement prepared by the Minister for Finance" which will be prepared pursuant to section 50 of the *Audit Act 1901*.

TABLE 1

Reconciliation of Budget Outlays and Revenue with the Transactions of the Consolidated Revenue Fund, Loan Fund and Trust Fund

Contributions to all Budget Outlays and Revenue arise from Consolidated Revenue Fund receipts and payments and transactions of the Loan Fund and Trust Fund. The following table indicates the allocation of estimated Consolidated Revenue Fund Receipts and Payments as shown in Table 4 of this document over major Budget Outlays and Revenue together with information on net contributions to Budget totals arising from estimated transactions of the Loan Fund and Trust Fund.

1997-98 Estimates

Budget Statements heading or function	Consolidated Revenue Fund		Net transactions of Loan Fund	Net transactions of Trust Fund	Total as per Budget Statements
	Receipts <i>Cr</i>	Payments <i>(a) Dr</i>			
Outlays —	\$m	\$m	\$m	\$m	\$m
1. General Public Services —					
A Legislative and Executive Affairs	25.1	1 574.0	—	1 000.0 <i>Cr</i>	548.9
B Financial and Fiscal Affairs	540.4	2 319.6	0.2	—	1 779.3
C Foreign Economic Aid	472.9	2 441.2	—	33.1 <i>Cr</i>	1 935.1
D General Research	17.4	1 231.6	—	13.0	1 227.2
E General Services	937.9	783.7	—	4.7	149.5 <i>Cr</i>
F Government Superannuation Benefits	2 194.6	3 883.7	—	—	1 689.0
2. Defence	556.4	10 961.2	—	—	10 404.8
3. Public Order and Safety	85.8	1 208.2	—	16.5	1 139.0
4. Education	63.6	11 005.2	—	38.4	10 980.1
5. Health	66.4	20 745.9	—	20.1	20 699.5
6. Social Security and Welfare	1 738.4	52 315.5	—	361.3	50 938.3
7. Housing and Community Amenities	138.8	2 506.1	—	1 220.0 <i>Cr</i>	1 147.3
8. Recreation and Culture	27.0	1 321.1	—	24.5	1 318.6
9. Fuel and Energy	947.5	960.2	—	—	12.6
10. Agriculture, Forestry, Fishing and Hunting	38.1	1 889.7	—	97.5	1 949.1
11. Mining and Mineral Resources	68.5	1 794.1	—	1.0	1 726.7
12. Transport and Communications	721.0	2 182.7	—	23.1	1 484.8
13. Other Economic Affairs —					
A Tourism and Area Promotion	—	98.4	—	—	98.4
B Labour and Employment Affairs	45.9	2 801.1	—	—	2 755.3
C Other Economic Affairs nec	69.3	381.2	—	5.2	317.1

14. Other Purposes —					
A Public Debt Transactions	950.0	10 074.2	196.1 Cr	8.0 Cr	8 920.1
B General Purpose Inter-Government Transactions	7.1	17 821.6	—	761.8 Cr	17 052.7
C Natural Disaster Relief	4.2	35.0	—	—	30.8
D Contingency Reserve (b)	25.0	1 222.2 Cr	—	—	1 247.2 Cr
E Asset Sales	10 099.4	269.4	—	—	9 830.0 Cr
Total Outlays	19 840.7	149 382.5	195.9 Cr	2 417.7 Cr	126 928.1
Revenue —					
Taxation Revenue —					
Income Tax —					
Individuals	69 935.0	617.2	—	442.3 Cr	69 760.0 Cr
Company	18 590.0	—	—	—	18 590.0 Cr
Other	7 720.0	—	—	—	7 720.0 Cr
Indirect Tax —					
Sales Tax	14 170.0	—	—	—	14 170.0 Cr
Excise Duty	13 540.0	—	—	—	13 540.0 Cr
Customs Duty - Imports	3 410.0	—	—	—	3 410.0 Cr
Other Taxes, Fees and Fines	2 200.0	0.7	—	43.3 Cr	2 242.6 Cr
Non-Tax Revenue —					
Interest	923.5	—	—	75.7 Cr	999.2 Cr
Dividends and Other	2 941.3	17.5	—	4.5	2 919.3 Cr
Total Revenue	133 429.8	635.5	—	556.8 Cr	133 351.1 Cr
Headline Surplus.					6 422.9 Cr
Financing transactions(c) —	42 453.6	45 706.1	3 170.5 (d)		6 422.9
Fund Totals	195 724.1 (e)	195 724.1 (e)	—	—	—

(a) Some transfers between Consolidated Revenue Fund and Trust Fund which may be used to finance final outlays under more than one Budget Statement heading are offset under the heading to which most of the final outlay relates. The Consolidated Revenue Fund payment and Trust Fund receipts are offset against one another and payments from the Trust Fund are allocated to appropriate Budget Statement headings.

(b) Actual payments will be reflected under the appropriate Budget Statement heading.

(c) The budget surplus will largely be applied to the net redemption of loan raisings in Australia and overseas, including where appropriate the net amounts borrowed through the issue of Treasury Notes. In addition, small amounts will also be obtained from coinage transactions, changes in cash balances and minor changes in other financial assets and liabilities which contribute to financing transactions.

(d) Residual item representing net loan raisings by the Loan Fund, transactions in public debt by the Trust Fund, changes in cash balances and investments and other miscellaneous financing transactions financed from the budget surplus.

(e) Consolidated Revenue Fund totals as per Table 4.

1996-97 Revised Estimates

Budget Statements heading or function	Consolidated Revenue Fund		Net transactions of Loan Fund	Net transactions of Trust Fund	Total as per Budget Statements
	Receipts <i>Cr</i>	Payments <i>(a) Dr</i>			
Outlays —	\$m	\$m	\$m	\$m	\$m
1. General Public Services —					
A Legislative and Executive Affairs	26.8	519.3	—	—	492.5
B Financial and Fiscal Affairs	525.5	2 354.3	0.2	0.1	1 829.1
C Foreign Economic Aid	199.6	2 183.0	—	1.8 <i>Cr</i>	1 981.7
D General Research	17.0	1 169.8	—	3.9 <i>Cr</i>	1 148.9
E General Services	561.8	640.4	—	16.8	95.4
F Government Superannuation Benefits	2 232.8	3 773.8	—	—	1 541.0
2. Defence	622.8	10 240.0	386.1	—	10 003.4
3. Public Order and Safety	87.9	1 361.2	—	3.5	1 276.8
4. Education	62.4	11 058.9	—	70.1	11 066.6
5. Health	59.3	19 324.6	—	28.8	19 294.1
6. Social Security and Welfare	114.2	49 738.3	—	328.7	49 952.8
7. Housing and Community Amenities	347.6	1 214.8	—	3.9 <i>Cr</i>	863.3
8. Recreation and Culture	24.1	1 418.1	—	—	1 394.0
9. Fuel and Energy	12.7	25.8	—	—	13.1
10. Agriculture, Forestry, Fishing and Hunting	86.8	1 932.3	—	4.7	1 850.2
11. Mining and Mineral Resources	45.9	1 726.6	—	0.2	1 680.9
12. Transport and Communications	3 533.4	1 988.0	—	22.1	1 523.3 <i>Cr</i>
13. Other Economic Affairs —					
A Tourism and Area Promotion	—	96.7	—	—	96.7
B Labour and Employment Affairs	36.2	3 087.8	—	0.1	3 051.7
C Other Economic Affairs nec	60.1	374.5	—	6.3	320.8
14. Other Purposes —					
A Public Debt Transactions	858.0	10 320.7	118.5 <i>Cr</i>	23.0 <i>Cr</i>	9 321.2
B General Purpose Inter-Government Transactions	401.4	18 635.8	—	794.6 <i>Cr</i>	17 439.8
C Natural Disaster Relief	5.3	31.0	—	—	25.8
D Contingency Reserve <i>(b)</i>	5.3	150.0 <i>Cr</i>	—	—	155.3 <i>Cr</i>
E Asset Sales	4 992.7	792.7	—	—	4 200.0 <i>Cr</i>
Total Outlays	14 919.6	143 858.7	267.8	345.7 <i>Cr</i>	128 861.0

Revenue —

Taxation Revenue —					
Income Tax —					
Individuals	65 863.8	290.1	—	416.3 Cr	65 990.0 Cr
Company	18 320.0	—	—	—	18 320.0 Cr
Other	8 030.0	—	—	—	8 030.0 Cr
Indirect Tax —					
Sales Tax	13 410.0	—	—	—	13 410.0 Cr
Excise Duty	13 200.0	—	—	—	13 200.0 Cr
Customs Duty - Imports	3 280.0	—	—	—	3 280.0 Cr
Other Taxes, Fees and Fines	2 102.5	0.7	—	31.0 Cr	2 132.8 Cr
Non-Tax Revenue —					
Interest	1 054.1	—	—	104.4 Cr	1 158.5 Cr
Dividends and Other	4 124.7	16.1	—	4.5	4 104.1 Cr
Total Revenue	129 385.1	306.9	—	547.2 Cr	129 625.3 Cr
Headline Surplus.					764.3 Cr
Financing transactions(c) —	44 153.8	44 292.9	625.2	(d)	764.3
Fund Totals	188 458.5(d)	188 458.5(e)	—	—	—

- (a) Some transfers between Consolidated Revenue Fund and Trust Fund which may be used to finance final outlays under more than one Budget Statement heading are offset under the heading to which most of the final outlay relates. The Consolidated Revenue Fund payment and Trust Fund receipts are offset against one another and payments from the Trust Fund are allocated to appropriate Budget Statement headings.
- (b) Actual payments will be reflected under the appropriate Budget Statement heading.
- (c) The budget surplus will largely be applied to the net redemption of loan raisings in Australia and overseas, including where appropriate the net amounts borrowed through the issue of Treasury Notes. In addition, small amounts will also be obtained from coinage transactions, changes in cash balances and minor changes in other financial assets and liabilities which contribute to financing transactions.
- (d) Residual item representing net loan raisings by the Loan Fund, transactions in public debt by the Trust Fund, changes in cash balances and investments and other miscellaneous financing transactions.
- (e) Consolidated Revenue Fund totals as per Table 4.