

BUDGET PAPER No. 4

AGENCY RESOURCING 2000-01

(Including Appropriation (Parliamentary Departments) Bill 2000-2001

Appropriation Bill (No. 1) 2000-2001

Appropriation Bill (No. 2) 2000-2001)

CIRCULATED BY
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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2000-2001

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Introduction

ANNUAL APPROPRIATIONS

The Budget annual appropriations comprise the three annual Appropriation Bills: the Appropriation (Parliamentary Departments) Bill 2000-2001, Appropriation Bill (No. 1) 2000-2001 and Appropriation Bill (No. 2) 2000-2001.

Appropriation Bill (No. 1) provides for the appropriation of sums from the Consolidated Revenue Fund for the ordinary annual services of the Government. Appropriation Bill (No. 2) provides for the appropriation of the Consolidated Revenue Fund for payments other than the ordinary services of the Government:

- expenses in relation to grants to the States under section 96 of the Constitution and for payments to the Northern Territory and the Australian Capital Territory;
- administered expenses for new outcomes; and
- equity injections and loans to agencies as well as administered capital funding and carryovers.

The annual Appropriation Bills authorise the payment of specified amounts for particular purposes.

These annual appropriations are the source of funding for some 25 per cent of agency expenses. The remaining 75 per cent of expenses are appropriated by either special (or standing) appropriation or receipts from independent sources.

Receipts from independent sources include moneys which are:

- receipts, which are deemed to be appropriated in accordance with Section 31 of the *Financial Management and Accountability (FMA) Act 1997*, for FMA Departments and agencies user charging etc;
- receipts of FMA Departments and agencies into Special Accounts; and
- receipts earned by *Commonwealth Authorities and Companies Act 1997* authorities and companies which they own separately from the Commonwealth and may apply directly in accordance with their underpinning legislation.

The Agency Resourcing table in *Budget Paper No. 4* shows, by agency and agency outcome, the aggregate of receipts by source to meet estimated expenses.

The Appropriation Bills, Portfolio Budget Statements and Annual Reports are an integrated package reporting on the proposed allocation of resources to Government outcomes by agencies. Details of the estimated payments under each Special (or standing) Appropriation together with details of estimated Commonwealth receipts

from all sources – taxation, customs, excise and receipts from charges for services collected by agencies, have been included in Portfolio Budget Statements. These statements are prepared by Portfolio Ministers for the purposes of Senate Legislation Committees' examination of the proposed appropriations. The Portfolio Budget Statements are published as Budget Related Papers and tabled in the Parliament at the time of the Budget.

STRUCTURE OF APPROPRIATIONS

The '1965 Compact' (as amended for the introduction of accrual budgeting) between the Senate and the House of Representatives governs the allocation of items between the annual appropriation bills.

Administered and departmental monies are treated differently and appropriated separately in the Appropriation Bills. This is done to distinguish between expenditure on Government programmes (administered) and the expenditure to run the programmes (departmental).

In accordance with accrual accounting principles, departmental expenses are expenses over which an agency has control. These expenses represent the ordinary operating costs of Government Departments and agencies. They include:

- salaries;
- operational expenses including depreciation (or asset replacement); and
- accruing employee entitlements.

Departmental expenses are notionally split between outcomes, thereby providing an indication of the departmental resources to be allocated towards the achievement of key outcomes for agencies. This split is for information only, as departmental items will be appropriated as a single amount for each agency. The single appropriation for departmental items represents the price paid by Government for all the outputs the agency plans to deliver.

Administered expenses are expenses that agencies do not have control over. They are normally made pursuant to eligibility rules and conditions established by the Government or Parliament such as grants, subsidies and benefit payments. Annual appropriations for administered expenses are appropriated on the basis of agency outcomes, making it clear what the funding is intended to achieve rather than the programme it is being spent on. Administered capital appropriations represent equity injections, which are for functions oversighted (but not controlled) by an agency on behalf of the Government.

THE GOODS AND SERVICES TAX (GST)

The New Tax System starts on 1 July 2000. In the normal course of business, Commonwealth agencies will be invoiced a GST-inclusive price by their GST-registered Australian suppliers and they will need to pay GST on their taxable importations.

The accepted Australian guidance concerning accounting for the GST provides that:

- revenues, expenses and assets must be recognised net of the amount of recoverable GST;
- the amount of GST incurred by a purchaser that is not recoverable from the taxation authority must be recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables must be stated with the amount of GST included; and
- cash flows must be included in the Statement of Cash Flows on a gross basis in accordance with Accounting Standards AASB 1026 and AAS 28, Statement of Cash Flow.

Appropriation for the GST

The amounts of appropriation shown in the Budget Appropriation Bills for 2000-2001 do not include an allowance for recoverable GST. The figures in the Budget Bills therefore represent the net amount that Parliament is being asked to allocate to particular purposes. This aligns with the accounting treatment of expenses and assets and the presentation of Budget estimates.

In a companion Bill to amend the *FMA Act*, Parliament is being asked to provide additional appropriation in respect of the recoverable GST element of payments by Commonwealth agencies. The Bill will have the effect of supplementing the amount shown in the Budget Appropriation Bills against an appropriation item by the amount of recoverable GST associated with payments under the appropriation (a similar arrangement will apply for special appropriations). As a result, there will always be sufficient appropriation for payments under an appropriation item provided that the amount of those payments, less the amount of recoverable GST, can be met from the initial amount shown against the item in the Appropriation Bills.

