

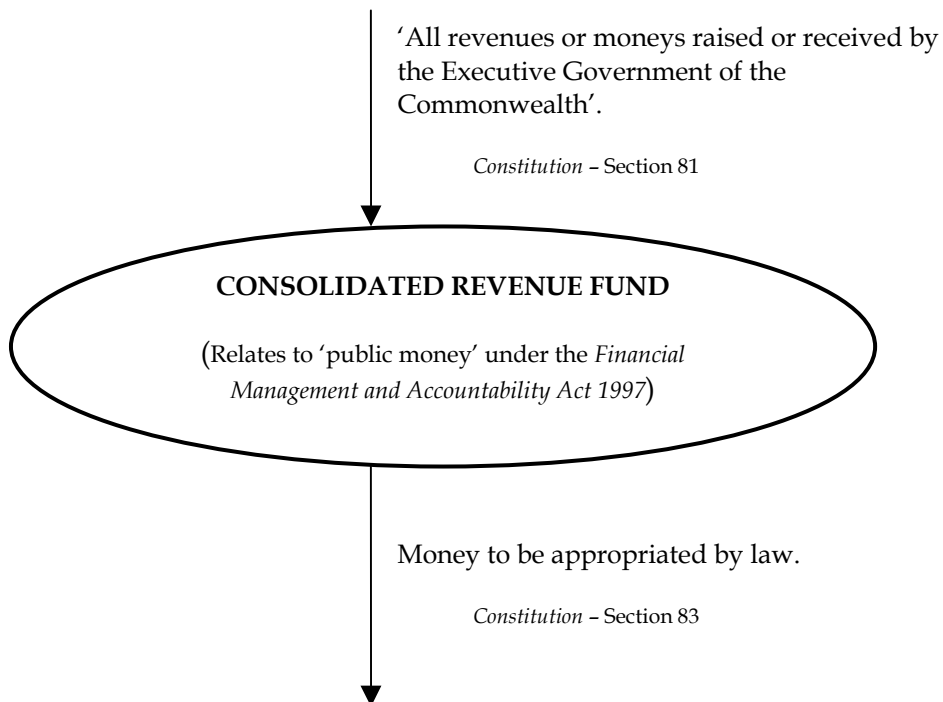
Introduction

The purpose of *Budget Paper No. 4* is to provide in a single publication information on appropriations being proposed in the budget year. It contains the Agency Resourcing table which shows, by agency, all receipts by source and reproductions of the Budget annual appropriation bills. It also has an index to agencies so that all resourcing for an individual agency can be readily found.

APPROPRIATIONS

The Constitution, through section 81, provides for a Consolidated Revenue Fund (CRF), formed from all revenues or moneys raised or received by the Government. The CRF is 'self-executing' under the Constitution. That is, moneys paid to the Commonwealth (including taxes, charges and loans) form part of the CRF, whether or not the Commonwealth has credited those moneys to a fund or an account, which is designated as the CRF. Section 81 does not purport to deal with the manner in which the moneys forming the CRF shall be kept, nor does it purport to deal with the keeping and auditing of the public accounts. This view was stated by Justice Brennan in the High Court decision, *Northern Suburbs General Cemetery Reserve Trust v Commonwealth of Australia* (1993) 176 CLR 555 at 580.

The Constitution and the Consolidated Revenue Fund



Section 83 of the Constitution provides that no money can be drawn from the Treasury of the Commonwealth unless authorised by an appropriation made by law. The 'Treasury' of the Commonwealth, noted in section 83, equates to the CRF mentioned in section 81. Together, sections 81 and 83 require that there must be an appropriation, made by law, for the purposes of the Commonwealth, before money can be drawn from the CRF.

Laws authorising that money may be drawn from the CRF are either special (or standing) appropriations, or are one of the six annual appropriation acts. *Budget Paper No. 4* contains the three Budget annual appropriation bills: Appropriation (Parliamentary Departments) Bill (No. 1) 2003-2004, Appropriation Bill (No. 1) 2003-2004 and Appropriation Bill (No. 2) 2003-2004.

Under section 54 of the Constitution, a proposed law appropriating money for the ordinary annual services of the Government can only deal with such appropriations. Accordingly, the annual appropriations are split into those which provide for the ordinary annual services of the Government and those which do not.

Section 53 of the Constitution provides that the Senate may not amend proposed laws appropriating money for the ordinary annual services of the Government. In order to settle the question of which matters fit within the term 'ordinary annual services of the Government' and those which do not, the Senate and the Government made an agreement, called the 'Compact of 1965'. The Compact (as altered for the introduction of accrual budgeting) determines the allocation of items between the annual appropriation bills.

Appropriation Bill (No. 1) 2003-2004 provides for the appropriation of sums for the ordinary annual services of the Government. Appropriation Bill (No. 2) 2003-2004 provides for the appropriation for payments *other than* the ordinary annual services of the Government (described further below).

The services of the five parliamentary departments are not considered to be ordinary annual services of the Government. Accordingly, there is a third Budget annual appropriation bill, the Appropriation (Parliamentary Departments) Bill (No. 1) 2003-2004, which provides funding for the operations of the parliamentary departments.

A second set of three annual appropriation bills is usually introduced in the Spring Sittings of the Parliament. Called the Additional Estimates (or just Additional) appropriation bills, those three bills are analogous to the three Budget appropriation bills and continue the numbering sequence: Appropriation Bill No. 3, Appropriation Bill No. 4 and Appropriation (Parliamentary Departments) Bill No. 2.

The six annual appropriation bills are the source of funding for approximately 30 per cent of all Government expenditure. The remaining 70 per cent of expenditure is funded by special appropriations. Special appropriations provide funds for specified purposes, for example, to finance a particular project or programme.

Special Accounts are used as a method of delivering programmes, particularly those funded by indirect taxes or other compulsory imposts, contributions by other governments, or contributions by members of the community. Special Accounts are also useful where additional transparency is required for the accounting of activities that involve the receipt of money from external sources. Special Accounts allow amounts in the CRF to be nominated for a particular spending purpose up to the balance, for the time being, of the Special Account. Amounts standing to the credit of Special Accounts are appropriated for the purposes of the Special Account.¹

The annual appropriation bills, Portfolio Budget Statements and agency annual reports are an integrated package reporting on the allocation of resources to Government outcomes by agencies. The Portfolio Budget Statements contain details of the estimated payments under each of the annual appropriation bills and each special appropriation. They also contain details of estimated Commonwealth receipts from all sources – taxation, customs, excise and receipts from charges for services collected by agencies. These statements are prepared by Portfolio Ministers for the purposes of Senate Legislation Committees' examination of the proposed budget. The Portfolio Budget Statements are published as Budget Related Papers and tabled in the Parliament at the time of the Budget.

More information on appropriations is provided on the Department of Finance and Administration web site at:

http://www.finance.gov.au/budgetgroup/Cash_and_Appropriation_Managem/appropriation_bills.html.

STRUCTURE OF APPROPRIATIONS

The annual appropriation bills authorise the payment of specified amounts for particular purposes. For all expenses, those purposes are the outcomes of the Government. Outcomes are the results or impacts on the community or the environment that the Government intends to achieve. They are specified by the responsible portfolio Minister with the endorsement of the Minister for Finance and Administration.

Further information on outcomes and on the outcomes and outputs framework more generally is available at:

http://www.finance.gov.au/budgetgroup/Commonwealth_Budget_-_Overview/the_outcomes__outputs_frameworko.html

¹ Appropriations for Special Accounts are established under the *Financial Management and Accountability Act 1997*.

Appropriation Bill (No.1)

In Appropriation Bill (No. 1) 2003-2004, expenses are appropriated according to whether they are administered or departmental. In accordance with Australian Accounting Standard 29, departmental expenses are expenses over which an agency has control. These expenses represent the ordinary operating costs of Government departments and agencies. For budget purposes, the term 'agency' is used to refer to both *Financial Management and Accountability Act 1997* agencies and some *Commonwealth Authorities and Companies Act 1997* bodies. These agency expenses include:

- salaries;
- operational expenses including depreciation; and
- accruing employee entitlements.

Departmental expenses are appropriated as a single amount for each agency. The single appropriation for departmental items represents the cost to Government for all the outputs that the agency plans to deliver. Appropriation Bill (No. 1) 2003-2004 shows a split of that amount across agency outcomes. That split is notional, providing an indication of the departmental resources to be allocated towards the achievement of key outcomes for agencies.

Administered expenses are those over which agencies do not have control. They are administered by the agency on behalf of Government and are normally related to activities governed by eligibility rules and conditions established by the Government or Parliament such as grants, subsidies and benefit payments. Administered expenses are appropriated separately for agency outcomes, specifying precisely how much funding can be expended on each outcome.

The detail on appropriations in Appropriation Bill (No. 1) 2003-2004 is set out in Schedule 1 to the Bill.

Appropriation Bill (No.2)

Appropriation Bill (No. 2) 2003-2004 provides appropriations for both administered expenses (grants to the States, payments to the Territories and new administered outcomes) and for 'non-operating' costs. Non-operating costs (sometimes called 'capital' costs) comprise:

- 'equity injections', which are provided to agencies to enable investment in new capacity when normal cash flows are insufficient;
- 'loans', which are provided to agencies and used when an investment is expected to result in a direct return such as an efficiency saving;

- 'previous years' outputs' appropriations, which provide funding for outputs that were delivered in a previous year. This can occur, for example, when a decision is made to implement a new activity after the date for inclusion in the Additional appropriation bills. Such activities are funded initially from existing cash balances which are then replenished by the previous years' outputs appropriation; and
- 'administered assets and liabilities' appropriations, which provide funding for acquiring new assets, extending existing assets and discharging administered liabilities relating to activities administered by agencies in their fiduciary capacity on behalf of the Government.

The detail on appropriations in Appropriation Bill (No. 2) 2003-2004 is set out in Schedule 2 to the Bill.

Schedule 1 to Appropriation Bill (No. 2) 2003-2004 confers on the Ministers named, power to determine:

- conditions under which payments to the States and Territories may be made; and
- the amounts and timing of those payments.

Appropriation (Parliamentary Departments) Bill (No.1)

The Appropriation (Parliamentary Departments) Bill (No. 1) contains appropriations for all the expenses and non-operating costs of the five parliamentary departments.

Appropriations Generally

All three Budget appropriation bills also provide an appropriation figure for the previous financial year, termed the Actual Available Appropriation. That figure is printed in italics under each appropriation amount. The Actual Available Appropriation is included for information purposes only, to provide a comparison with the appropriation proposed for the budget year. It does not affect the amounts available at law. In some cases there are discrepancies between totals and sums of items of the Actual Available Appropriation. Those discrepancies are due to rounding.

The annual appropriations are not expressed in terms of a particular financial year and so do not automatically lapse. Amounts appropriated for departmental expenses do not lapse and, accordingly, may be drawn from the Consolidated Revenue Fund in the Budget or later years. Appropriations for administered expenses are subject to a determination by the Minister for Finance and Administration on the amounts to be issued. The effect of that determination is to 'lapse' any part of the appropriation that has not been expensed in the year. Appropriations for non-operating costs also do not lapse and the monies may be drawn from the Consolidated Revenue Fund in the Budget and later years.

Section 32 of the *Financial Management and Accountability Act 1997* gives the Minister for Finance and Administration the power to transfer appropriations from one agency to

another where, for any reason, a function of one agency becomes the function of another.

THE AGENCY RESOURCING TABLE

The Agency Resourcing table in *Budget Paper No. 4* shows, by agency, and for expenses by agency outcome, the aggregate of estimated receipts by source for the Budget year. The different sources of receipts are the Annual Appropriation Bills 1 and 2, special appropriations and receipts from independent sources.

Receipts from independent sources include moneys which are:

- receipts deemed to be appropriated in accordance with section 31 of the *Financial Management and Accountability (FMA) Act 1997* and which may be expended on the outcomes of departments and agencies;
- receipts which by other laws agencies are empowered to spend;
- receipts credited to Special Accounts; and
- receipts received by entities subject to the *Commonwealth Authorities and Companies Act 1997*, which they may spend directly in accordance with their enabling legislation.

Note that, because some agencies provide funding to others, the total amounts in the Agency Resourcing table cannot be used to calculate the total resourcing at the Commonwealth level. It should also be noted that the table does not show the financing transactions conducted by the Australian Office of Financial Management.

THE GOODS AND SERVICES TAX

A New Tax System started on 1 July 2000. Under the new system, Commonwealth departments and agencies generally pay and collect Goods and Services Tax (GST) on the same basis as other Australian entities. The amounts of appropriation shown in the three Budget appropriation bills for 2003-2004 do not include an allowance for recoverable GST. The appropriations shown 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 section 30A of the *FMA Act*, Parliament has provided an additional appropriation in respect of the recoverable GST element of administered payments by Commonwealth agencies. The *FMA Act* has 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 annual appropriation (a similar arrangement applies for special appropriations). As a result, there is 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.