

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.

This year there have been minor changes to the layout of the appropriation bills and the content of the Agency Resourcing table. Details are provided later in this Introduction.

APPROPRIATIONS

Under section 83 of the Constitution, no money may be drawn from the Treasury of the Commonwealth except under an appropriation made by law. Such laws are either special (or standing) legislation 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) 2002-2003, Appropriation Bill (No. 1) 2002-2003 and Appropriation Bill (No. 2) 2002-2003.

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) 2002-2003 provides for the appropriation of sums for the ordinary annual services of the Government. Appropriation Bill (No. 2) 2002-2003 provides for the appropriation for payments *other than* the ordinary annual services of the Government:

- grants to the States under section 96 of the Constitution and payments to the Northern Territory and the Australian Capital Territory;
- administered expenses for new outcomes;
- departmental equity injections, loans and previous year's outputs; and

- administered assets and liabilities.

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) 2002-2003, 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.

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

In Appropriation Bill (No. 1) 2002-2003, expenses are appropriated according to whether they are administered or 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; and
- accruing employee entitlements.

Departmental expenses are appropriated as a single amount for each agency. The single appropriation for departmental items represents the price paid by Government for all the outputs that the agency plans to deliver. Appropriation Bill (No. 1) 2002-2003 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 expenses over which agencies do not have control. They 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, making clear what the funding is intended to achieve.

The detail on appropriations in Appropriation Bill (No. 1) 2002-2003 is set out in Schedule 1 to the Bill.

Appropriation Bill (No. 2) 2002-2003 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 used when an investment is expected to result in a direct return such as an efficiency saving;
- previous years' outputs, which are appropriations 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 Appropriations Bills. Such activities are funded from existing cash balances which are 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) 2002-2003 is set out in Schedule 2 to the Bill.

Schedule 1 to Appropriation Bill (No. 2) 2002-2003 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.

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.

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

All three appropriation bills also provide a figure for the previous year, termed the Actual Available Appropriation. That figure is printed in italics under each appropriation amount. In some cases there are discrepancies between totals and sums of items of the Actual Available Appropriation. Those discrepancies are due to rounding. 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.

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;
- GST refunds from the Australian Tax Office;
- receipts credited to Special Accounts; and
- receipts earned 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.

CHANGES TO *BUDGET PAPER NO. 4*

A number of minor changes have been made to the contents of *Budget Paper No. 4* for 2002-2003. The first changes are in Appropriation Bill (No. 2) 2002-2003:

- The appropriation item previously titled 'Carryover from previous years' is now named 'Previous Years' Outputs'.
- The appropriation item previously titled 'Administered Capital' is now named 'Administered Assets and Liabilities'.
- The heading 'Other Administered Expenses' has been renamed 'New Administered Expenses'.
- The heading 'Equity injections and loans' is now 'Non-operating'.

These changes have been made to more accurately reflect the intention of the items and headings and do not change their meaning.

The second change has been made in the Agency Resourcing table. The table now includes detail on appropriations for non-operating costs as well as for expenses.

THE GOODS AND SERVICES TAX (GST)

A New Tax System started on 1 July 2000. Under the new system, Commonwealth departments and agencies generally pay and collect GST on the same basis as other Australian entities. The amounts of appropriation shown in the three Budget appropriation bills for 2002-2003 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 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.