

Part 1: Agency Financial Resourcing

PART 1: AGENCY FINANCIAL RESOURCING

APPROPRIATIONS FRAMEWORK

An appropriation is a legal entitlement to spend money from the Consolidated Revenue Fund (CRF). Appropriations are either annual appropriations or special appropriations. Annual appropriations are contained in the annual Appropriation Acts. Special appropriations are contained in other Acts.

The CRF is a concept established in section 81 of the Australian Constitution to represent all Commonwealth money. All revenues or moneys raised or received by the Executive Government of the Commonwealth, or any person or organisation acting on behalf of the Commonwealth, automatically form part of the CRF. This includes, for example, taxes, charges, levies, borrowings, loan repayments and moneys held on behalf of or in trust. Money automatically forms part of the CRF upon receipt, regardless of whether the money is deposited in a bank account.

Section 83 of the Constitution provides that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law (the 'Treasury' of the Commonwealth equates to the CRF). Section 81 provides that appropriations from the CRF must be applied for expenditure of the Commonwealth. Together, sections 81 and 83 provide that before money may be spent there must be an appropriation, made by law, for the purposes of the Commonwealth. These requirements for an appropriations framework safeguard the constitutional control by the Parliament over Australian Government spending.

The appropriations and expenditure framework for agencies in all Australian governments is based on the accounting concept of control. Where an agency has substantial control, the related appropriation and expenditure is classified as *departmental* and where an agency does not have control, expenditure is classified as *administered*. This classification is unique to government and is not used elsewhere in the Australian economy. It is currently reflected in Australian Accounting Standard AASB 1050 *Administered Items*. Whether an agency has *administered* or *departmental* control over resources is based largely on the level of discretion the agency has in using those resources.

Departmental appropriations are available to meet expenditure over which an agency has substantial control and are typically used for agency operational expenditure, such as for employees and supplier expenses. *Administered* appropriations are administered by an agency on behalf of the government, for the benefit of or payment to parties who are external to the agency and not part of the internal operations of that agency. *Administered* appropriations are typically used for expenditure such as government grants, subsidies and obligations that arise from legislated eligibility rules and conditions. Further information on the appropriations framework can be found on the website of the Department of Finance.

MACHINERY OF GOVERNMENT CHANGES

The term 'machinery of government changes' (MoG changes) is used to describe a variety of organisational or functional changes affecting the Commonwealth. MoG changes often arise from changes to the Administrative Arrangements Order (AAO) following a Prime Ministerial decision to abolish or create a department or to move functional responsibilities between agencies.

Since the 2016-17 Budget, there have been a number of AAO changes and other Government decisions with the following transfer of functions:

- Transfer of whole-of-government information and communications technology (ICT) policy and ICT procurement policy and services from the Department of Finance to the Digital Transformation Agency (DTA).
- Transfer of myGov strategy and policy related functions from the Department of Human services to the DTA.
- Transfer of payroll administration, credit card management and accounts receivable and payable functions previously managed by the Shared Services Centre to the Department of Finance, with remaining corporate service functions retained by the Departments of Education and Training, and Employment.
- Transfer of the energy programs and policy functions from the Department of Industry, Innovation and Science to the Department of Environment and Energy.
- Transfer of the administration, oversight and advice functions relating to parliamentary travel expenses and allowances, from the Department of Finance to the Independent Parliamentary Expenses Authority.
- Transfer of a suite of registered organisations matters, from the Fair Work Commission to the Fair Work Ombudsman and Registered Organisations Commission Entity.

The AAO documents and further information on AAOs can be found on the website of the Department of the Prime Minister and Cabinet. For information on how MoG changes impact on portfolios, refer to the *2016-17 Portfolio Additional Estimates Statements* and *2017-18 Portfolio Budget Statements* of relevant portfolios.

AGENCY RESOURCING TABLE

Overview of the Agency resourcing table

The Agency resourcing table presents a consolidated view of estimated financial resources to be managed in the Budget year by agencies in the general government sector (GGS). It is organised by portfolio and agency, and by agency Outcome.¹ It differentiates the sources of funding, which are annual Appropriation Bills, Receipts, Special Appropriations and Special Accounts. The amounts are classified into departmental and administered resourcing, except for special accounts, which can be classified as either or both.

Amounts in the Agency resourcing table can be matched with amounts in the annual Appropriation Bills, Special Appropriations Table and Special Accounts Table. Examples are in Figures 1 to 4 of the section entitled Guide to Budget Paper No. 4.

The column headed *Receipts* in the Agency resourcing table presents income received from other government agencies, individuals, and non-government bodies. In the large part, such receipts are received for the provision of services.

The column headed *Special Accounts* in the Agency resourcing table shows estimated amounts to be credited to a special account. This column presents estimated income expected from other government agencies, individuals and non-government bodies. This column is located between the departmental and administered sides of the Agency resourcing table because depending on the legislated purposes of a special account, the resources may be used for departmental and/or administered expenditure. It is consistent with amounts presented in the *Receipts (non-appropriated)* column of the Special Accounts Table.

The total amounts in the Agency resourcing table cannot be used to calculate consolidated Commonwealth financial resources. This is because the Agency resourcing table covers only agencies in the GGS, whereas the Commonwealth also includes agencies that are public corporations operating in the commercial sphere that are not primarily financed by government. Furthermore, the Agency resourcing table has not been adjusted to eliminate inter-governmental transactions. Such transactions occur when one agency in the GGS pays another agency in the GGS for services received. To eliminate inter-governmental transactions would not accurately represent the financial resources managed by a particular agency.

1 The text of the Outcomes applying to each agency is set out at Appendix A: *Agency Outcome Statements*.