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INFORMATION ANALYSIS ADVICE

TIP SHEET

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The Commonwealth Budget Papers

What is the Budget?

In strict terms, the Budget is simply the set of papers tabled in the House of Representatives with the annual Appropriation Bills, and which are intended to inform the Parliament about the proposed revenues and expenditures of the Commonwealth in the forthcoming financial year. However, the Budget also provides an important opportunity for the Government to inform the Parliament, and therefore the broader public, about:

- the expected performance of the international and Australian economy
- the Government's economic and fiscal strategy
- specific policy decisions it has made.

The Budget Speech provides an opportunity for the Government to outline its overall economic and fiscal strategy. The Budget Speech—which is formally the second reading speech for Appropriation Bill No. 1—is delivered by the Treasurer in the House of Representatives at 7.30 PM. The budget papers are made available on the internet at www.budget.gov.au when the Treasurer commences the Budget Speech.

Key concepts

- **Underlying Cash Balance:** this is the main measure of the fiscal position of the Commonwealth. It includes most cash receipts and cash payments of the Commonwealth, but excludes certain transactions that might distort the overall fiscal position, such as cash from asset sales.
- **Fiscal Balance:** this is another measure of the fiscal position that is based on accrual, not cash, accounting. Accrual accounting seeks to better reflect the state of an entity's financial position by recognising revenues when they are earned and recognising expenses when they are

incurred, rather than just cash payments and receipts.

- **Administered and departmental revenues and expenses:** each department or agency will typically have two areas of activity. An 'administered' activity is something which it does on behalf of the Commonwealth, and over which the department or agency has no real control or discretion. Examples of administered activities include the receipt and payment of tax into the Consolidated Revenue Fund by the Treasury, and the periodic payment of social security payments by the Department of Social Services. 'Departmental' activities are things over which the department or agency has control, such as employing staff or purchasing office supplies.

The Budget Papers

Appropriation Bills

Each year, there are at least three Appropriation Bills:

- **Appropriation Bill (No. 1)** provides monies for the 'ordinary annual services' of the Government.
- **Appropriation Bill (No. 2)** provides monies for 'other' expenditure, such as capital works, some grants to the states and territories, and payments that are to be directed to statutory authorities and companies of the Commonwealth.
- **Appropriation (Parliamentary Departments) Bill** provides monies for the Department of the Senate, Department of the House of Representatives, Department of Parliamentary Services, and the Parliamentary Budget Office.

Where additional monies are required in the current—not the forthcoming—financial year, additional Appropriation Bills may be tabled. These

will typically be called the Appropriation Bill No. 5 and No. 6. of the current year.

Budget Paper No. 1: Budget Strategy and Outlook

Budget Paper No. 1 provides high level information on the overall economic and fiscal position. It contains:

- information about the international and domestic economic outlook, including numerical estimates of key parameters such as gross domestic product growth, employment, and the consumer price index
- forecasts of revenues and expenditures and their composition
- the forecast budget surplus or deficit position, and
- information on the assets, liabilities—including contingent liabilities, or ‘risks’—and debt held or owed by the Commonwealth.

This information outlined above is only the Government’s current estimates. Future forecasts may change and the actual outcomes usually differ from the estimates.

It also contains technical information about the presentation of the financial information of the Commonwealth, including how individual entities are classified for accounting purposes, and the budgeted financial statements of the Commonwealth.

Historical information about the Commonwealth’s fiscal and debt position is included at the end of Budget Paper No. 1.

Budget Paper No. 2: Budget Measures

This paper contains information about the various policy decisions of the Government, which are known as ‘measures.’ Each measure is classified according to what aspect of the Commonwealth’s finances it affects as follows:

- revenue measures
- expense measures
- capital measures

For example, a decision that has the effect of reducing taxation receipts will be a negative revenue measure, and a decision that has the effect of increasing the expenses of the Commonwealth will be a positive expense measure. Capital measures change the amount of assets and liabilities.

The amounts listed against each measure only show the incremental change to the Commonwealth’s finances from that decision, not the total amount of funding or expenditure related to that policy area or agency.

Budget Paper No. 3: Australia’s Federal Relations

This paper contains information about two types of payments the Commonwealth makes to the states and territories.

- **Specific purpose payments:** are monies that are provided by the Commonwealth on the condition that the states and territories spend them on specified purposes such as health, education, or roads, or use them to fund local governments.
- **General revenue assistance:** are monies provided to the states or territories without any conditions on how they can be spent.

The main type of general revenue assistance is the goods and services tax (GST) revenue. Budget Paper No. 3 also provides estimates of the amount of GST revenue to be received by each state and territory, including its forecast ‘GST relativity.’

Budget Paper No. 4: Agency Resourcing

This paper mostly deals with appropriations. The introduction provides an explanation of key concepts used in the Appropriation Bills. The tables provide information on the individual amounts that are allocated to each department and agency. Budget Paper No. 4 also contains information on ‘Special Accounts,’ which are amounts of money earmarked for specific activities or purposes.

Portfolio Budget Statements

Each portfolio must prepare a Portfolio Budget Statement (PBS). A PBS contains sections for each individual department and agency within a portfolio. For example, the PBS for the Treasury portfolio contains a section regarding the Australian Tax Office (ATO), as that is an agency within that portfolio.

For each department or agency, the PBS will show:

- budgeted financial statements for the agency
- each individual ‘outcome,’ or activity to be undertaken by the department or agency. For each outcome there will be one or more programs, and the PBS will contain performance information for each program, and
- the total resources available for each department or agency.