

PART A

USER GUIDE

PURPOSE OF THE DOCUMENT

The purpose of the Portfolio Budget Statements (PBS) is to inform Senators and Members of the basis for proposed outlays for the Portfolio with particular emphasis on the proposed provisions in *Appropriation Bills (Nos 1 and 2) 2000-01* and *Appropriation (Parliamentary Departments) Bill 2000-01*. The PBS aims to provide sufficient information, explanation and justification to enable Parliament to understand the financial impact of each item proposed in the Appropriation Bills. The PBS also indicates the proposed allocation of funding to the Portfolio's Outcomes.

NOTE TO THE PORTFOLIO BUDGET STATEMENTS

This budget is the second to be prepared by Commonwealth agencies using the accrual based outcome/output framework. At the time of preparation of the 2000-01 PBS, the first full reporting cycle on the 1999-2000 PBS has yet to be completed. An account of performance in relation to the targets set out in the 1999-2000 PBS will be provided in the Department's 1999-2000 Annual Report which is scheduled to be tabled in Parliament in October 2000.

The Senate Finance and Public Administration Legislation Committee, in its October 1999 Second Report on the Format of the Portfolio Budget Statements, noted that the accountability loop has not been closed and will not be closed until the 1999-2000 Annual Reports are tabled. The Committee acknowledged that 1999-2000 performance indicators were, in many instances, "a best effort at the time and would be reassessed in terms of their appropriateness and measurability in the light of experience."

The Committee formed the view that it would not be in a position to reach definitive conclusions on the usefulness of the new Budget reporting framework and desired improvements, until it had the opportunity to examine the reporting against the PBS performance indicators. It commented on "the evolving nature of both the reporting frameworks and the information provided in financial tables". ANAO across-the board performance information audits were recommended and will address performance information in the light of the full reporting cycle.

In view of this, the Department has opted to retain similar performance information to that used in last year's PBS. A certain degree of estimation, particularly in relation to the attribution of departmental expenses to the outcome/output framework has been necessary. The performance information provided has been selected on the basis that it is meaningful, transparent and reliable but some individual performance indicators may require adjustment following the completion of the full reporting cycle.

Over time, the Portfolio intends, where possible, to provide indicators which will allow reporting on trend data and historical data and refinement of targets and benchmarks. At this early stage, however, indicators for many programmes and services provided under the outcome/output framework must be regarded as indicative only.

A number of the performance indicators presented in this publication relate to measures which, while relevant to the objectives of Commonwealth funded programs, are subject to influence not only by the performance of the ETYA Portfolio but also by the actions of other parties. For example, the decisions taken by State and Territory Governments will critically affect the achievement of the Commonwealth's objectives in school education and vocational education and training; likewise, the employment prospects of tertiary education graduates will depend in significant part on the prevailing state of general economic and labour market conditions (a matter well beyond the responsibilities of the ETYA Portfolio). Interpretation of progress against the indicators presented here should have close regard to this consideration, and the need to weigh the respective contributions of different parties to the achievement of any given outcome.

STRUCTURE OF THE DOCUMENT

The PBS is divided into three parts.

Part A - User Guide provides information to users of the document including information about the purpose of the document and style conventions used within the document.

Part B - Portfolio Overview provides an overview of the Portfolio's role and charter including a summary of the outcome framework and a chart of the senior management structure.

Part C - Agency Budget Statements provides a consolidated explanation of the major elements of the Budget Bills, including a summary of funding by outcome and a table reconciling the appropriation items and outcomes. There is also information for each outcome and output group and a summary of Budget Measures affecting the Portfolio.

Part C also provides the Budget Statements for the Department of Education, Training and Youth Affairs (DETYA) and the Australian National Training Authority (ANTA). Sections 1 to 4 of Part C provide the detail for DETYA with information on ANTA appearing in Sections 5 to 7.

Department of Education, Training and Youth Affairs

Section 1 - Departmental Overview, Appropriations and Budget Measures provides an overview of the Department's role and sets the broad guidelines for achieving its outcomes. A broad summary of the Department's appropriations is provided as well as a summary of all Budget Measures. Equity injections and loans are also summarised in this section.

Section 2 - Outcome and Output Group Information provides an overview of each of the Department's three outcomes and contributing output groups. The information for each outcome includes: a diagram showing the specific outcome, output groups and Departmental Outputs, relevant Budget Measures,

resources and performance information. Significant evaluations, and proposals for tendering or contracting for the outcome are also detailed.

Section 3 - Budgeted Financial Statements, including the Budget year and three out years, are presented for the Department.

Section 4 – Purchaser/Provider Arrangements details arrangements with other agencies that provide services on behalf of the Department. These services are provided on a purchaser/provider basis. The control, resourcing and relevant performance information arrangements are also detailed.

Australian National Training Authority

Section 5 - Agency Overview, Appropriations and Budget Measures provides an overview of the Agency's role and sets the broad guidelines for achieving its outcome. A broad summary of the Agency's appropriations is also provided.

Section 6 - Outcome and Output Group Information provides an overview of the Agency's outcome and contributing output group. The information for the outcome includes: a diagram showing the specific outcome and output group; and a description of the outcome, resource and performance information.

Section 7 - Budgeted Financial Statements, including the Budget year and three out years, are presented for the Agency.

The **Appendices** include a glossary and a list of acronyms used in the PBS.

DEPARTMENTAL VERSUS ADMINISTERED ITEMS

The Portfolio's financial resources are split into two separate categories, Departmental and Administered. The reason resources are split into two, and are reported separately, is due to the different nature of accountability resulting from the varying degrees of control an Agency/Department has over transactions.

Departmental items are those assets, liabilities, revenues and expenses controlled by departments or agencies in providing their goods and services (eg services such as ministerial briefing and policy advice) to Government. In contrast Administered items are not controlled by the Agency. These assets, liabilities, revenues and expenses are controlled by the Government and managed by departments or agencies on behalf of the Government. Administration of these items is carried out by an Agency through a set of rules, procedures or guidelines that have been established either by statute or by another party such as the Minister or Government. Administered items do not involve the direct production of outputs by Commonwealth agencies. They can involve the production of goods and services by other levels of government, external service providers or recipients.

METHODOLOGY OF ATTRIBUTION OF THE PRICE OF OUTPUTS

Since publication of the 1999-2000 Portfolio Additional Estimates Statements, the Department has revised the methodology for attributing Departmental expenses/revenues to Outcomes and Output Groups.

This PBS reflects the application of the revised methodology for Price of Output information. The new methodology has been applied to the 1999-2000 expected outcome figures as well as the 2000-01 budget year estimates.

In accordance with current Government reporting requirements the costs are attributed to output groups on a notional basis. The Department has flexibility in applying resources provided within the total Departmental funding envelope to meet workload and emerging priorities throughout the year.

Improved methodology

The methodology used to apportion costs in the 1999-2000 Budget documents utilized information from a one-off costing exercise that obtained data from all Divisions and State Offices on the estimated level of resources applied for each output group. It included the allocation of corporate resources to individual output groups.

This methodology has been extensively refined for this Budget. The basic concept of costing is to ensure that all the costs of producing Outputs are attributed in a manner which best reflects how resources are consumed. The Department's methodology for identifying and assigning costs to Outputs used the following step-by-step approach:

- Define Direct and Indirect Output costs, and Corporate Overhead costs;
- Identify all direct costs and trace these to specific Outputs;
- Identify all indirect costs and corporate overhead costs;
- Decide on the cost drivers to be applied to the indirect costs and corporate overhead costs; and
- Apportion the indirect costs and corporate overhead costs to all Outputs.

Definitions

The full accrual cost of an Outcome or Output comprises both direct and indirect costs, and corporate overheads costs. These categories are defined as:

Direct Costs—are those Departmental expenses that directly contribute to the production of a specific Output or class of Outputs. For example, a Section in a Programme Division managing delivery of an Output.

Indirect Costs—are those Departmental expenses that indirectly contribute to producing an Output or class of Outputs but, unlike Direct Costs, are not incurred exclusively by one Output or class of Outputs. For example, legal expenses.

Corporate Overheads—are those Departmental expenses that contribute to the environment in which all of DETYA’s Outputs are produced but where no direct relationship exists between these costs and Outputs. Examples include: HR services, IT support services and internal audit.

CALENDAR YEAR FUNDING

The education sector operates and is funded on a calendar year basis. However, this is not consistent with the financial year recording and reporting timeframe adopted by the Commonwealth and this timing difference in preparing financial year budgets creates assets and liabilities that were not previously recognised in cash budgets.

The net impact of this means that at the end of EACH FINANCIAL year the Commonwealth will record a liability (grants payable) and corresponding asset (appropriation receivable) for the second half of the CALENDAR YEAR.

PERFORMANCE INFORMATION

Performance forecasts for each outcome are integrated into the outcome structure and are presented in Part C, Section 2 in of this document. Performance information for both Administered items and Departmental Outputs is presented. Generally, performance information centres on the measures of effectiveness, quality and quantity.

STAFF YEARS

The Department uses resources flexibly to meet workload and emerging priorities throughout the year. This means that staff may move between outcomes depending on the workload at the time. For this reason staff years shown in the document for each outcome should be regarded as indicative only.

GST ACCOUNTING TREATMENT

Estimates are prepared consistent with GST accounting requirements, as outlined by the Urgent Issues Group (UIG) of the Australian Accounting Research Foundation. The UIG consensus requires that expenses and assets be accounted for net of recoverable GST and revenues be accounted for net of GST payable. This means that the financial tables in this document, which generally reflect expenses do not include any GST amounts.

STYLE CONVENTIONS

The financial tables throughout the document contain estimated outlays for both the 1999-2000 and 2000-01 financial years. While individual amounts shown have been rounded (to the nearest \$'000 in most cases) some "totals" may be the rounded additions of unrounded figures and all percentage calculations are also determined on the unrounded figures.

Terminology in the PBS has been updated to accord with the passage of the *Financial Management and Accountability (FMA) Act 1997*.

