

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

The Department of Education, Science and Training has a purchaser/provider arrangement with Centrelink. A DEST Centrelink Business Partnership Agreement for 2005-2008 was signed by the Secretary to the Department of Education, Science and Training, and the Chief Executive Officer of Centrelink in July 2005.

Centrelink is a statutory authority, responsible to the Minister for Human Services. Centrelink was established under the *Commonwealth Services Delivery Agency Act 1997*, an Act of the Parliament of the Commonwealth of Australia to give effect to the Government's policy of establishing a single point for the delivery of various Commonwealth services. Centrelink came into existence on 1 July 1997, and was formally launched on 24 September 1997. It operates under both the *Public Service Act 1999* and the *Financial Management and Accountability Act 1997*.

Centrelink provides services to the Department for a range of activities including across the following Programmes:

- Youth Allowance
- Austudy
- Fares Allowance
- ABSTUDY
- Assistance for Isolated Children
- New Apprenticeships
- Language, Literacy and Numeracy Programme;
- Australian Apprenticeship Access Programme.

Responsibility

Centrelink reports on its outcome and output structure and provides a full set of financial statements within the Portfolio Budget Statements for the Department of Human Services.

Control arrangements

The Service Agreement noted above specifies services purchased, resources, management arrangements and expected levels of performance.

DEST Budget Statement: Other reporting requirements

A Business Partnership Management Group made up of relevant line managers from DEST and Centrelink meets quarterly to monitor performance and progress on relevant projects.

A Strategic Forum, which takes a broad overview of the arrangement, meets three times a year to consider the further development of the partnership between the Department and Centrelink. The Secretary or Deputy Secretary to the Department of Education, Science and Training, the Centrelink Chief Executive Officer or Deputy Chief Executive Officer, and other senior executive officers from the Department and Centrelink attend these meetings.

Performance against outcomes of purchased outputs

As set out in the Service Agreement, Centrelink produces quarterly performance reports addressing key performance indicators and issues relating to purchased services. These performance reports, and any other identified issues, are considered at quarterly executive review group meetings, which are attended by key managers responsible for service delivery and management of the service agreement within the Department and Centrelink.

4.2 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE (AGIE)

Table 4.1: Australian Government Indigenous Expenditure

DEST	Appropriations				Other \$'000	Total \$'000
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special Approp \$'000	Total Approp \$'000		
Outcome 1						
Administered 2007-08			424,556	424,556		424,556
<i>Administered 2006-07</i>			<i>403,138</i>	<i>403,138</i>	<i>50,000*</i>	<i>453,138</i>
Departmental 2007-08	31,592			31,592		31,592
<i>Departmental 2006-07</i>	<i>29,131</i>			<i>29,131</i>		<i>29,131</i>
Total Outcome 1 2007-08	31,592	0	424,556	456,148	0	456,148
Total Outcome 1 2006-07	29,131	0	403,138	432,269	50,000*	482,269
Outcome 2						
Administered 2007-08	284		108,982	109,266		109,266
<i>Administered 2006-07</i>	<i>3,328</i>		<i>93,031</i>	<i>96,359</i>		<i>96,359</i>
Departmental 2007-08	6,688			6,688		6,688
<i>Departmental 2006-07</i>	<i>3,684</i>			<i>3,684</i>		<i>3,684</i>
Total Outcome 2 2007-08	6,972	0	108,982	115,954	0	115,954
Total Outcome 2 2006-07	7,012	0	93,031	100,043	0	100,043
Outcome 3						
Administered 2007-08			7,908	7,908		7,908
<i>Administered 2006-07</i>			<i>4,831</i>	<i>4,831</i>		<i>4,831</i>
Departmental 2007-08	611			611		611
<i>Departmental 2006-07</i>	<i>129</i>			<i>129</i>		<i>129</i>
Total Outcome 3 2007-08	611	0	7,908	8,519	0	8,519
Total Outcome 3 2006-07	629	0	4,831	4,960	0	4,960
Outcome 5						
Administered 2007-08						
<i>Administered 2006-07</i>						
Departmental 2007-08	130			130		130
<i>Departmental 2006-07</i>	<i>711</i>			<i>711</i>		<i>711</i>
Total Outcome 3 2007-08	130	0	0	130	0	130
Total Outcome 3 2006-07	711	0	0	711	0	711
Total DEST AGIE 2007-08	39,305	0	541,446	580,751	0	580,751
Total DEST AGIE 2006-07	36,983	0	501,000	537,983	50,000*	587,983

Note* Appropriation Bill No 5

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the Department's budgeted financial statements, which consists of the budgeted departmental financial statements and administered schedules for 2007-08, is provided below.

DEPARTMENTAL FINANCIAL STATEMENTS

Budgeted departmental income statement

This statement provides a picture of the budgeted financial results for the Department by identifying full accrual expenses and revenues, which highlights whether the Department is operating at a sustainable level.

The Department is budgeting for a break even operating result for 2007-08. Total income in 2007-08 is estimated to be \$532.5 million, an increase of \$24.0 million from the 2006-07 estimated actual. This is primarily due to appropriation funding received for the delivery of new initiatives.

Total expenses in 2007-08 is estimated to be \$532.5 million, an increase of \$20.0 million from the 2006-07 estimated actual.

Budgeted departmental balance sheet

This statement shows the financial position of the Department. It helps decision makers to track the management of the Department's assets and liabilities.

The Department's budgeted net asset position of \$52.4 million, represents an increase of \$10.9 million from the 2006-07 estimated actual. The increase can be attributed to the growth in the department's non financial assets, such as building and infrastructure plant and equipment associated with the implementation of new initiatives.

Budgeted departmental statement of cash flows

Budgeted cash flows, as reflected in the statement of cash flows, provide information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Departmental capital budget statement

This statement shows all planned departmental capital expenditure (capital expenditure on non-financial assets), whether funded through capital appropriations for additional equity or borrowings, or from funds from internal sources.

In 2007-08 and forward years the Department will receive equity injections for:

- (i) capital upgrades to the existing Questacon building in line with the recommendations of a 30 years asset renewal plan; and
- (ii) development of information systems to support the implementation of a number of new initiatives.

ADMINISTERED FINANCIAL STATEMENTS

Schedule of budgeted income and expenses administered on behalf of government

This schedule provides the aggregated estimated revenue and expense impacts of the administered programmes delivered by DEST.

The "other sources of non-taxation revenue" account mainly reflects the adjustments made to students loans under the Higher Education Loan Programme (HELP) and the Student financial Supplement Scheme (SFSS) to account for movements in the CPI.

The main elements that contribute to administered expenses are detailed below.

The Grants expense includes the funding provided to the schools, vocational education and training and higher education (multi-jurisdictional) sectors. Subsidies reflect the amount of funding estimated to be provided to employers under the Support for New Apprenticeships scheme. The major contributor to Personal Benefits are income support payments such as the Youth Allowance and ABSTUDY. Suppliers expenses is made up of a range of administered programmes with the most significant programmes being the New Apprenticeship Centres, Workforce Skills Development, New Apprenticeship Access Programme and the Language, Literacy and Numeracy programme.

Overall expenses are expected to increase by \$1.5 billion, or 7.9 per cent of the estimated outcome for 2006-07. Some \$1.2 billion of this increase relates to grants payments. Increases reflect the impact of budget measures as well as agreed supplementation arrangements for individual programmes.

Schedule of budgeted assets and liabilities administered on behalf of government

This schedule shows the estimated closing balance of assets and liabilities administered on behalf of the Government.

The Receivables has two main components. The largest component is the loans provided to students under HELP and SFSS. The values of these loans are based on a "fair value" which accounts for an estimate of those amounts that are not expected to be repaid as well as the cost of repayments being deferred due to the income contingent nature of the repayment arrangements. The other component is the recognition of appropriations still to be drawn down from the Official Public account. Investments reflect the expected net worth of the other entities in the Education, Science and Training Portfolio.

The Liabilities section is dominated by the Grants and subsidies payable. In general the figure represents the amount of funds to be provided in the second half of the calendar year to the schools, vocational and technical education and higher education sectors. The liabilities also include the Australian Government share of the unfunded superannuation liability in respect of university employees.

Schedule of budgeted administered cash flows

This schedule shows the planned cash flows administered on behalf of the Government. The make up of the expenditures is the same as detailed above in the Administered schedule of budgeted income and expenses however it represents the actual cash provided each financial year.

The cash payments are comparable to expenses for each classification except of grants. Cash payments in respect of grants are recognised in respect of the HELP arrangements but a corresponding expense is not recognised as the payment is made in exchange for an asset (the loan receivable from students).

Excluding cash transactions related to the GST appropriation arrangements, cash payments are expected to increase by \$1.6 billion, or 8% of the estimated outcome for 2006-07. Consistent with the increase in expenses the majority of this increase relates to grant payments.

5.2: BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME					
Revenue					
Revenues from Government	462,568	488,711	467,760	449,309	445,680
Goods and services	17,312	15,907	16,383	16,384	16,384
Interest	80	45	80	80	80
Other	12,035	11,374	10,594	10,594	10,594
Total revenue	491,995	516,037	494,817	476,367	472,738
Gains					
Other	16,500	16,500	16,500	16,500	16,500
Total gains	16,500	16,500	16,500	16,500	16,500
Total income	508,495	532,537	511,317	492,867	489,238
EXPENSE					
Employees	197,687	213,683	203,995	197,827	193,843
Suppliers	297,900	299,651	285,094	272,142	272,098
Depreciation and amortisation	16,929	19,203	22,228	22,898	23,297
Total expenses	512,516	532,537	511,317	492,867	489,238
Surplus (Deficit) before income tax	(4,021)	0	0	0	0
Net Surplus or (deficit) attributable to the Australian Government	(4,021)	0	0	0	0

DEST Budget Statement: Budgeted financial statements

Table 5.2: Budgeted departmental balance sheet as at 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS					
Financial assets					
Cash and equivalents	5,981	5,612	5,246	4,896	4,144
Trade and other Receivables	20,534	18,716	22,360	27,540	31,383
Other investments	920	920	920	920	920
Total financial assets	27,435	25,248	28,526	33,356	36,447
Non-financial assets					
Land and buildings	49,460	54,108	57,064	61,999	64,205
Infrastructure, plant and equipment	26,585	28,945	28,970	28,915	27,479
Inventories	361	361	361	352	352
Intangibles	17,981	24,326	28,359	27,908	26,318
Other	3,632	3,659	3,659	3,659	3,659
Total non-financial assets	98,019	111,399	118,413	122,833	122,013
Total assets	125,454	136,647	146,939	156,189	158,460
LIABILITIES					
Interest bearing liabilities					
Leases	187	187	187	187	187
Total interest bearing liabilities	187	187	187	187	187
Provisions					
Employees	57,591	57,953	58,462	59,751	60,044
Other	4,808	4,808	4,808	4,808	4,808
Total provisions	62,399	62,761	63,270	64,559	64,852
Payables					
Suppliers	15,040	14,976	14,976	14,976	14,976
Other	6,349	6,349	6,349	6,349	6,349
Total payables	21,389	21,325	21,325	21,325	21,325
Total liabilities	83,975	84,273	84,782	86,071	86,364
Net assets	41,479	52,374	62,157	70,118	72,096

DEST Budget Statement: Budgeted financial statements

Table 5.2: Budgeted departmental balance sheet as at 30 June (cont)

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2006-07	2007-08	2008-09	2009-10	2010-11
	\$'000	\$'000	\$'000	\$'000	\$'000
EQUITY*					
Parent entity interest					
Contributed equity	51,123	62,018	71,801	79,762	81,740
Reserves	9,711	9,711	9,711	9,711	9,711
Retained surpluses or accumulated deficits	(19,355)	(19,355)	(19,355)	(19,355)	(19,355)
Total parent entity interest	41,479	52,374	62,157	70,118	72,096
Total equity	41,479	52,374	62,157	70,118	72,096
Current assets	31,428	29,268	32,546	37,367	40,458
Non-current assets	94,026	107,379	114,393	118,822	118,002
Current liabilities	68,507	68,750	69,165	70,217	70,455
Non-current liabilities	15,468	15,523	15,617	15,854	15,909

*Note: 'equity' is the residual interest in assets after deduction of liabilities.

Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	17,322	15,907	16,383	16,384	16,384
Appropriations	472,946	490,544	464,116	444,129	441,837
Interest	80	45	80	80	80
Net GST Received	16,472	16,470	16,500	16,500	0
Other	9,049	11,389	10,594	10,594	10,594
Total cash received	515,869	534,355	507,673	487,687	468,895
Cash used					
Employees	189,735	213,321	203,486	196,538	193,550
Suppliers	280,812	283,212	268,656	255,589	255,598
Net GST paid	16,481	16,481	16,481	16,481	0
Other	10,115	0	0	0	0
Total cash used	497,143	513,014	488,623	468,608	449,148
Net cash from or (used by) operating activities	18,726	21,341	19,050	19,079	19,747
INVESTING ACTIVITIES					
Cash received					
Total cash received	0	0	0	0	0
Cash used					
Purchase of property, plant and equipment	18,972	32,605	29,199	27,390	22,477
Total cash used	18,972	32,605	29,199	27,390	22,477
Net cash from or (used by) investing activities	(18,972)	(32,605)	(29,199)	(27,390)	(22,477)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	1,625	6,575	5,306	7,258	1,978
Other	0	4,320	4,477	703	0
Total cash received	1,625	10,895	9,783	7,961	1,978
Cash used					
Total cash used	0	0	0	0	0
Net cash from or (used by) financing activities	1,625	10,895	9,783	7,961	1,978
Net increase or (decrease) in cash held					
Cash at the beginning of the reporting period	5,522	6,901	6,532	6,166	5,816
Cash at the end of the reporting period	6,901	6,532	6,166	5,816	5,064

Table 5.4: Departmental statement of changes in equity – summary of movement (Budget year 2007-08)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2007					
Balance carried forward from previous period	(19,355)	9,711	0	51,123	41,479
Adjustment for changes in accounting policies	0	0	0	0	0
Adjusted opening balance	(19,355)	9,711	0	51,123	41,479
Income and expense					
Sub-total income and expense	0	0	0	0	0
Surplus (deficit) for the period	0	0	0	0	0
Total income and expenses recognised directly in equity	0	0	0	0	0
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	0	0	0	6,575	6,575
Other				4,320	4,320
Sub-total transactions with owners	0	0	0	10,895	10,895
Estimated closing balance as at 30 June 2008					
	(19,355)	9,711	0	62,018	52,374

DEST Budget Statement: Budgeted financial statements

Table 5.5: Departmental capital budget statement

	Estimated Actual 2006-07 \$'000	Budget Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	1,625	6,575	5,306	7,258	1,978
Other	0	4,320	4,477	703	0
Appropriation of Previous Year Accrued Revenue	0	768	0	0	0
Total capital appropriations	1,625	11,663	9,783	7,961	1,978
Represented by:					
Purchase of non-financial assets	1,625	11,663	9,783	7,961	1,978
Other	0	768	0	0	0
Total represented by	1,625	12,431	9,783	7,961	1,978
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	1,625	6,575	5,306	7,258	1,978
Other	0	4,320	4,477	703	0
Funded internally by Departmental resources	17,347	21,710	19,416	19,429	0
Total	18,972	32,605	29,199	27,390	1,978

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

	Land	Buildings	Other infrastructure plant and equipment	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007						
Gross book value	602	58,291	38,628	60,762	0	158,283
Accumulated depreciation	0	9,433	12,043	42,781	0	64,257
Opening net book value	602	48,858	26,585	17,981	0	94,026
Additions:						
by purchase	0	9,050	9,328	11,425	2,802	32,605
Reclassifications	0	0	(332)	0	0	(332)
Depreciation/amortisation expense	0	4,402	6,919	7,539	343	19,203
Other movements	0	0	283	0	0	283
Disposals	0	0	0	0	0	0
As at 30 June 2008						
Gross book value	602	67,263	44,749	72,187	2,802	187,603
Accumulated depreciation	0	13,757	15,804	50,320	343	80,224
Estimated closing net book value	602	53,506	28,945	21,867	2,459	107,379

Table 5.7: Schedule of budgeted income and expenses administered on behalf of government for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other Sources of non-taxation	395,112	417,867	531,930	576,440	608,240
Total income administered on behalf of Government	395,112	417,867	531,930	576,440	608,240
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants					
- State and Territory Governments	9,687,226	10,401,477	10,617,431	11,246,582	11,940,484
- Multijurisdictional Sector	5,404,093	5,834,350	6,252,085	6,390,305	6,524,759
- Other	1,097,528	1,130,250	1,158,576	1,117,264	1,073,991
Subsidies	491,043	502,169	515,404	517,869	529,687
Personal benefits	2,250,185	2,387,097	2,447,040	2,459,554	2,481,814
Suppliers	368,734	547,777	564,697	579,857	558,106
Write down and impairment of assets	389,143	431,638	490,667	529,322	586,007
Total expenses administered on behalf of Government	19,687,952	21,234,758	22,045,900	22,840,753	23,694,848

Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	11,052	11,077	11,102	11,102	11,102
Receivables					
- Appropriations Receivable	7,569,606	8,697,323	9,565,118	10,538,402	11,556,512
- Student Loans (fair value)	9,687,538	10,442,963	11,330,045	12,270,305	13,225,777
- Personal Benefits Recoverable	207,092	215,540	218,051	220,943	226,371
- Unfunded University					
Superannuation	354,339	328,678	303,017	277,356	251,695
- Other Receivables	43,142	43,142	43,142	43,142	43,142
Investments	3,520,553	3,520,553	3,520,553	3,520,553	3,520,553
Total financial assets	21,382,270	23,248,199	24,979,926	26,870,701	28,824,050
Non-financial assets					
Land and buildings	129	129	129	129	129
Infrastructure, plant and equipment	54	54	54	54	54
Other	1,512	1,512	1,512	1,512	1,512
Total non-financial assets	1,695	1,695	1,695	1,695	1,695
Total assets administered on behalf of Government	21,383,965	23,249,894	24,981,621	26,872,396	28,825,745
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Suppliers	30,926	30,926	30,926	30,926	30,926
Subsidies	12,396	12,396	12,396	12,396	12,396
Personal benefits payable	99,204	104,146	105,798	104,928	105,460
Grants					
- State and Territory Governments	4,471,407	4,793,454	4,991,437	5,292,618	5,623,728
- Multijurisdictional Sector	3,870,718	4,173,716	4,309,778	4,420,569	4,523,013
- Other	4,502	6,043	6,857	7,672	9,485
Provision for Grants	3,172,760	3,012,558	2,875,411	2,735,659	2,593,251
Other payables	28,095	28,095	28,095	28,095	28,095
Total payables	11,690,008	12,161,334	12,360,698	12,632,863	12,926,354
Total liabilities administered on behalf of Government	11,690,008	12,161,334	12,360,698	12,632,863	12,926,354

Table 5.9: Schedule of budgeted administered cash flows for the period ended 30 June

	Estimated Actual 2006-07 \$'000	Revised Budget 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
GST Input Credit Receipts	677,968	739,486	782,756	835,746	889,989
Other ⁷	1,100,203	1,203,590	1,301,093	1,403,322	1,506,173
Total cash received	1,778,171	1,943,076	2,083,849	2,239,068	2,396,162
Cash used					
Grant payments	18,153,822	19,396,912	20,464,917	21,260,039	22,146,508
Subsidies paid	491,043	502,169	515,404	517,869	529,687
Personal benefits	2,212,812	2,340,878	2,405,512	2,418,301	2,430,224
Suppliers	366,354	541,061	558,992	574,145	556,991
GST Payments to Suppliers	677,968	739,486	782,756	835,746	889,989
Total cash used	21,901,999	23,520,506	24,727,581	25,606,100	26,553,399
Net cash from operating activities	(20,123,828)	(21,577,430)	(22,643,732)	(23,367,032)	(24,157,237)
FINANCING ACTIVITIES					
Cash received					
GST Appropriation	677,968	739,486	782,756	835,746	889,989
Total cash received	677,968	739,486	782,756	835,746	889,989
Cash used					
Return of GST Appropriation	677,968	739,486	782,756	835,746	889,989
Total cash used	677,968	739,486	782,756	835,746	889,989
Net cash from financing activities	0	0	0	0	0
Net increase/ (decrease) of cash held	-20,123,828	-21,577,430	-22,643,732	-23,367,032	-24,157,237
Cash at beginning of reporting period	11,027	11,052	11,077	11,102	11,102
Cash from OPA for Appropriations	21,534,849	23,114,178	24,278,040	25,057,737	25,862,343
Cash to OPA	1,410,996	1,536,723	1,634,283	1,690,705	1,705,106
Cash at end of reporting period	11,052	11,077	11,102	11,102	11,102

**Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement
(Budget Year 2007-08)**

	Buildings	Other infrastructure plant and equipment	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007				
Gross book value				
	129	54	1,300	1,483
Accumulated depreciation/amortisation and impairment	-	-	1,300	1,300
Opening net book value	129	54	-	183
Additions				
Revaluations and impairment through equity				
Reclassifications				
Depreciation/amortisation expense				
Other movements				
Disposals				
As at 30 June 2008				
Gross book value				
	129	54	1,300	1,483
Accumulated depreciation/amortisation and impairment	-	-	1,300	1,300
Estimated closing net book value	129	54	-	183

