

# **Australian Research Council**

## **Agency resources and planned performance**



# AUSTRALIAN RESEARCH COUNCIL

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# AUSTRALIAN RESEARCH COUNCIL

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

The Australian Research Council (ARC) is a statutory authority within the Australian Government's Innovation, Industry, Science and Research portfolio. Its mission is to deliver policy and programs that advance Australian research and innovation globally and benefit the community. The mission aligns with the ARC's outcome statement, which is: 'Growth of knowledge and innovation through providing policy advice, measuring research excellence and managing research funding schemes.'

The ARC provides advice to the Government on research matters and manages the National Competitive Grants Program (NCGP), a significant component of Australia's investment in research and development. Through the NCGP, the ARC supports the highest-quality fundamental and applied research and research training. Funding is allocated through national competition across all research disciplines.

The ARC is responsible for the implementation of the Excellence in Research for Australia (ERA) initiative. Through the ERA initiative the ARC is tasked with identifying research excellence in Australian higher education institutions by comparing Australia's research effort against international benchmarks. In the long term the initiative will drive improvements in the quality of Australian research and identify areas and opportunities for further development.

In 2010-11 priorities for the ARC will include:

- conduct of a full evaluation under the ERA initiative of all eight broad clusters of disciplines.
- jointly with the National Health and Medical Research Council, establishment of and ongoing support for the Australian Research Integrity Committee (ARIC). The primary role of ARIC is to provide assurance that institutions take – and are seen to take – appropriate action on serious allegations of research misconduct. As such, ARIC will be tasked with reviewing the internal processes, as outlined in the Australian Code for the Responsible Conduct of Research, undertaken by universities and other research institutions in response to allegations of research misconduct where one or more of the parties involved believes the allegation may not have been appropriately handled by the institution.

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- finalisation of a selection round for ARC Centres of Excellence commencing in 2011. ARC Centres of Excellence are hubs of expertise that undertake highly innovative research at the forefront of developments in areas of national importance.

In working to achieve its outcome the ARC will continue to engage with its stakeholders across the national and international innovation systems. The ARC will also participate in the whole-of-government approach to areas relevant to research matters such as higher education, health and science communication.

## 1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

**Table 1.1: ARC Resource Statement—Budget Estimates for 2010-11 as at Budget May 2010**

	Estimate of prior <sup>+</sup> year amounts available in 2010-11 \$'000	Proposed at Budget <sup>=</sup> 2010-11 \$'000	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
<b>Ordinary annual services<sup>1</sup></b>				
<b>Departmental appropriation</b>				
Prior year departmental appropriation <sup>2</sup>	5,096	-	5,096	-
Departmental appropriation <sup>3</sup>		20,895	20,895	20,266
s31 Relevant agency receipts <sup>4</sup>	-	200	200	-
<b>Total</b>	<b>5,096</b>	<b>21,095</b>	<b>26,191</b>	<b>20,266</b>
<b>Administered expenses</b>				
Outcome 1	-	5,728	5,728	2,917
<b>Total</b>	<b>-</b>	<b>5,728</b>	<b>5,728</b>	<b>2,917</b>
<b>Total ordinary annual services</b>	<b>A 5,096</b>	<b>26,823</b>	<b>31,919</b>	<b>23,183</b>
<b>Departmental non-operating</b>				
Equity injections		2,574	2,574	4,548
<b>Total</b>	<b>-</b>	<b>2,574</b>	<b>2,574</b>	<b>4,548</b>
<b>Total other services</b>	<b>B -</b>	<b>2,574</b>	<b>2,574</b>	<b>4,548</b>
<b>Total available annual appropriations</b>	<b>5,096</b>	<b>29,397</b>	<b>34,493</b>	<b>27,731</b>
<b>Special appropriations</b>				
<b>Special appropriations limited by amount</b>				
Special Appropriation <i>ARC Act 2001</i>	-	708,733	708,733	652,831
<b>Total special appropriations</b>	<b>C -</b>	<b>708,733</b>	<b>708,733</b>	<b>652,831</b>
<b>Total appropriations excluding Special Accounts</b>	<b>5,096</b>	<b>738,130</b>	<b>743,226</b>	<b>680,562</b>

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**Table 1.1: ARC Resource Statement—Budget Estimates for 2010-11 as at Budget May 2010 (continued)**

	Estimate of prior + year amounts available in 2010-11 \$'000	Proposed at Budget = 2010-11 \$'000	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
<b>Special Accounts</b>				
Opening balance <sup>5</sup>	1,423	-	1,423	
Appropriation receipts <sup>6</sup>	-	-	-	-
Appropriation receipts - other agencies <sup>7</sup>	-	7,293	7,293	4,319
Non-appropriation receipts to Special Accounts	-	-	-	-
<b>Total Special Account</b>	<b>D 1,423</b>	<b>7,293</b>	<b>8,716</b>	<b>4,319</b>
<b>Total resourcing</b>				
A+B+C+D	6,519	745,423	751,942	684,881
Less appropriations drawn from annual or special appropriations above and credited to special accounts	-	-	-	-
<b>Total net resourcing for ARC</b>	<b>6,519</b>	<b>745,423</b>	<b>751,942</b>	<b>684,881</b>

<sup>1</sup> Appropriation Bill (No.1) 2010-11.

<sup>2</sup> Estimated adjusted balance carried from previous year for annual appropriations.

<sup>3</sup> Includes an amount of \$1.671m in 2010-11 for the Departmental Capital Budget (refer to table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

<sup>4</sup> s31 Relevant Agency receipts—estimate.

<sup>5</sup> Estimated opening balance for special accounts (less 'Special Public Money' held in accounts like Other Trust Monies (OTM) and Services for other Government and Non-agency Bodies (SOG) accounts). For further information on special accounts see Table 3.1.2.

<sup>6</sup> Appropriation receipts from agency X annual and special appropriations for 2009-10 included above.

<sup>7</sup> Appropriation receipts from other agencies credited to ARC's special accounts.

**Reader note: All figures are GST exclusive.**

### 1.3 BUDGET MEASURES

**Table 1.2: Agency 2010-11 Budget measures**

There are no Budget measures for 2010-11 relating to the ARC detailed in Budget Paper No. 2; therefore Table 1.2 is not presented.



## SECTION 2: OUTCOMES AND PLANNED PERFORMANCE

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of the ARC in achieving Government outcomes.

**Outcome 1: Growth of knowledge and innovation through providing policy advice, measuring research excellence and managing research funding schemes.**

#### Outcome 1 Strategy

The ARC will pursue the results outlined in its outcome (that is, growth of knowledge and innovation in Australia) by:

- supporting excellence in research and building Australia's research capacity through administration of the National Competitive Grants Program;
- providing policy advice to Government; and
- conducting research evaluation.

The National Competitive Grants Program (NCGP) supports two main streams of research funding—Discovery and Linkage (Program 1.1 and Program 1.2). Through Discovery, funding is available for investigator-initiated research and research fellowships. Through Linkage, funding is available for research projects, infrastructure, fellowships and centres that foster collaboration among researchers and research teams in Australia and internationally, and between researchers and industry and other end-users of research. Together the ARC funding schemes support the generation of new ideas, knowledge and breakthrough discoveries; provide incentives for researchers to partner with business, the public sector and community organisations; build the scale and focus of research in areas of national priority and support the development of highly trained personnel.

The ARC will implement an evaluation of the excellence of research undertaken in Australia's universities. *Excellence in Research for Australia* (ERA) will evaluate research quality using a combination of indicators and expert review by committees comprising experienced, internationally-recognised experts. It will identify excellence across the

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full spectrum of research activities and compare Australia's university research effort against international benchmarks.

**Outcome Expense and Resource Statement**

Table 2.1 provides an overview of the total expenses for Outcome 1, by program.

**Table 2.1: Budgeted Expenses and Resources for Outcome 1**

	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
<b>Outcome 1: Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice</b>		
<b>Program 1.1: Discovery - Research and Research Training</b>		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	40	40
Special appropriations	375,280	423,576
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	6,643	6,655
Expenses not requiring appropriation in the Budget year	43	458
<b>Total for Program 1.1</b>	<b>382,006</b>	<b>430,729</b>
<b>Program 1.2: Linkage - Cross Sector Research Partnerships</b>		
Administered expenses		
Special appropriations	277,551	285,157
Special Accounts	4,319	7,293
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	9,396	8,471
Revenues from independent sources (s31)	-	200
Expenses not requiring appropriation in the Budget year	43	458
<b>Total for Program 1.2</b>	<b>291,309</b>	<b>301,579</b>
<b>Program 1.3: Excellence in Research for Australia</b>		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	2,877	5,688
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	4,227	5,769
Expenses not requiring appropriation in the Budget year	-	458
<b>Total for Program 1.3</b>	<b>7,104</b>	<b>11,915</b>
<b>Outcome 1 Totals by appropriation type</b>		
Administered Expenses		
Ordinary annual services (Appropriation Bill No. 1)	2,917	5,728
Special appropriations	652,831	708,733
Special Accounts	4,319	7,293
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	20,266	20,895
Revenues from independent sources (s31)	-	200
Expenses not requiring appropriation in the Budget year <sup>1</sup>	86	1,374
<b>Total expenses for Outcome 1</b>	<b>680,419</b>	<b>744,023</b>
	2009-10	2010-11
<b>Average Staffing Level (number)</b>	105	107

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as Government priorities change.

<sup>1</sup> Includes unfunded depreciation (refer to Capital Budget Statement 3.2.5)

## Contributions to Outcome 1

### Program 1.1: Discovery—research and research training

#### Program objective

The Discovery Program is aimed at supporting the growth of Australia's research capacity, resulting in the development of new technologies, products and ideas, the creation of jobs, economic growth and an enhanced quality of life in Australia. Specifically the Discovery Program aims to:

- support excellent fundamental research by individuals and teams;
- support the development of young researchers as well as the ongoing careers of individuals and research teams;
- provide incentives for researchers to build the scale of their work, develop teams and support the growth of networks of research (both nationally and internationally); and
- enhance the scale and focus of research in areas of national priority.

The main schemes of the Discovery Program are: Discovery Projects, Future Fellowships, Australian Laureate Fellowships, Super Science Fellowships and Discovery Indigenous Researchers Development.

#### Program expenses

Administered and departmental funding for the Discovery program increases over the forward estimates due to the implementation of the Future Fellowship scheme announced in the 2008-09 Budget and the commencement of the new Super Science fellowships in 2009-10.

	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
('000)					
Annual administered expenses:					
Administered item	40	40	40	40	-
Special Appropriations:					
<i>Australian Research Council Act 2001</i>	375,280	423,576	480,628	535,633	549,516
Program support	6,643	6,655	7,184	7,210	7,037
Expenses not requiring appropriation in the Budget year	43	458	458	458	458
<b>Total program expenses</b>	<b>382,006</b>	<b>430,729</b>	<b>488,310</b>	<b>543,341</b>	<b>557,011</b>

**Program 1.1 Deliverables**

Through the Discovery program, the ARC delivers funding to individual research projects and research fellowships through a range of schemes (listed under the program objectives above). Funding is awarded to administering organisations on the basis of competitive peer review processes involving Australian and international experts.

	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
Deliverables <sup>1</sup>					
Number of grants awarded	1199	1175	1125	1125	925
Number of administering organisations	46	45	45	45	45
Amounts awarded to administering organisations (\$'000) <sup>2</sup>	530,355	549,598	584,577	585,137	592,297

<sup>1</sup> Across the five schemes listed in project objective above.

<sup>2</sup> Funding allocation over the lives of the projects.

**Program 1.1 Key Performance Indicators**

There are limitations to the way in which the effectiveness of the Discovery Program in meeting its objectives can be measured because the contribution of excellent research to growth and innovation can only be measured in the long term. The key performance indicators chosen for the Discovery Program fall within the following categories:

- Research careers—this indicator reflects the contribution of ARC-funded research to the development of Australia’s ongoing research capacity;
- Collaboration—these indicators reflect the performance of the Discovery schemes in supporting links between researchers nationally and internationally; and
- Areas of national priority—this indicator reflects the potential contribution of ARC-funded research to the knowledge base in particular areas of endeavour considered to be important to Australia’s future.

Key Performance Indicators	2009-10 Revised budget	2010-11 Budget target	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
<b>Research careers <sup>1</sup></b>					
Early-career researchers as % of total researchers supported under the Discovery Projects scheme <sup>2</sup>	19.1%	19.0%	19.0%	19.0%	19.0%
<b>Collaboration</b>					
Projects involving International collaboration as % of projects funded under the Discovery Projects scheme	65.8%	60.0%	60.0%	60.0%	60.0%
Projects involving CIs from different organisations as % of total projects funded under the Discovery Projects scheme	17.4%	20.0%	20.0%	20.0%	20.0%
<b>Areas of national priority</b>					
Projects involving research in areas of national priority as % of projects funded under the Discovery Projects scheme	90.2%	89.0%	89.0%	89.0%	89.0%

<sup>1</sup> Early-career researchers are defined as researchers within five years of completing their PhD.

<sup>2</sup> Chief Investigators (CIs) only.

### Program 1.2: Linkage—cross-sector research partnerships

#### Program objective

The Linkage Program is aimed at improving research outcomes and the use of research outcomes by strengthening links within Australia's innovation system and with innovation systems internationally. Specifically, the Linkage Program aims to:

- encourage partnerships between university-based researchers and end-user organisations (including business, industry, community organisations and other publicly funded research agencies);
- foster opportunities for postgraduate and postdoctoral researchers to pursue research in collaboration with organisations outside the higher education sector;
- support investment in strategic national research infrastructure and access to major international research facilities; and
- encourage the growth of clusters of research and research training as platforms for innovation through funding research centres.

By supporting the development of partnerships, the Linkage Program encourages the exchange and transfer of skills, knowledge and ideas as a basis for securing commercial and other benefits of research.

The main schemes of the Linkage Program are: Linkage Projects; Linkage Infrastructure, Equipment and Facilities; ARC Centres of Excellence; co-funded Centres of Excellence and Special Research Initiatives.

#### Program expenses

Increased funding for the Linkage program over the forward estimates is a result of additional funding for new research grants in bionic vision science and technology, and an extension of funding for the National Information and Communication Technology Centre of Excellence.

	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
('000)					
Special Appropriations:					
<i>Australian Research Council Act 2001</i>	277,551	285,157	325,209	335,635	331,503
Special Accounts Expenses:					
<i>ARC Research Endowment Account</i>	4,319	7,293	1,901	-	-
Program support	9,396	8,471	9,224	9,047	8,791
Expenses not requiring appropriation in the Budget year	43	458	458	458	458
<b>Total program expenses</b>	<b>291,309</b>	<b>301,379</b>	<b>336,792</b>	<b>345,140</b>	<b>340,752</b>

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**Program 1.2 Deliverables**

Through the Linkage Program, the ARC delivers funding for individual research projects, research fellowships, postgraduate awards and research centres via a range of schemes (listed under Program objective above). Funding is awarded to administering organisations on the basis of competitive peer review processes involving Australian and international experts.

	2009-10	2010-11	2011-12	2012-13	2013-14
Deliverables <sup>1</sup>	Revised budget	Budget	Forward year 1	Forward year 2	Forward year 3
Number of grants awarded	523	516	505	505	505
Number of administering organisations	36	35	35	35	35
Amounts awarded to administering organisations (\$'000) <sup>2</sup>	169,052	169,177	175,781	171,402	168,174

<sup>1</sup> Across the funding schemes listed in the project objective above.

<sup>2</sup> Funding allocation over the lives of the projects.



**Program 1.2 Key Performance Indicators**

As noted under the Discovery Program, there are limitations to the ways in which the effectiveness of the Linkage Program in meeting its objectives can be measured because the contribution of excellent research to growth and innovation can only be measured in the long term. The key performance indicators chosen for the Linkage Program fall within the following categories:

- **Collaboration.** These indicators reflect the program's success in facilitating partnerships across the innovation system. The financial contributions of partner organisations are an indication of their commitment to the research partnerships and interest in project results.
- **Research careers.** These indicators reflect the program's success in facilitating the transfer of skills between different sectors of the national innovation system.
- **Infrastructure.** This indicator reflects the contribution of the program to shared acquisition of research infrastructure avoiding duplication of investment and strengthening opportunities for collaborative research.

Key Performance Indicators	2009-10 Revised budget	2010-11 Budget target	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
<b>Collaboration</b>					
Number of partner organisations (Linkage Projects)	1,042	850	850	850	850
Financial contributions of partner organisations (Linkage Projects) (\$'000)	249,310	240,000	240,000	240,000	240,000
Projects involving International collaboration as % of total Linkage projects	38.0 %	40.0%	40.0%	40.0%	40.0%
<b>Research Careers</b>					
Number of Australian Postdoctoral Fellowships Industry awarded (Linkage Projects)	32	30	30	30	30
Number of Australian Postgraduate Awards Industry awarded (Linkage Projects)	353	320	320	320	320
<b>Infrastructure</b>					
Infrastructure projects involving collaboration between institutions as a % of total projects (Linkage Infrastructure, Equipment and Facilities)	91.5%	90.0%	90.0%	90.0%	90.0%

**Program 1.3: Excellence in Research for Australia**

**Program objective**

- Establish an evaluation framework that gives Government, industry, business and the wider community assurance of the excellence of research conducted in Australia's higher education institutions.
- Provide a national overview of areas of research strength and areas where there may be opportunity for development.
- Allow for comparisons of Australia's research nationally and internationally for all disciplines offered in Australian higher education institutions.

**Program expenses**

Administered and departmental expenses reflect the funding provided in the 2009-10 Budget to develop and implement the Excellence in Research for Australia (ERA) initiative.

	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
('000)					
Annual administered expenses:					
Administered item	2,877	5,688	1,315	1,668	3,300
Program support	4,227	5,769	3,464	3,532	3,665
Expenses not requiring appropriation in the Budget year	-	458	458	458	458
<b>Total program expenses</b>	<b>7,104</b>	<b>11,915</b>	<b>5,237</b>	<b>5,658</b>	<b>7,423</b>

**Program 1.3 Deliverables**

A full evaluation of eight discipline clusters across 41 eligible Australian higher education institutions will be conducted in 2010 with outcomes reported following the evaluation process.

**Program 1.3 Key Performance Indicators**

Successful implementation of the 2010 ERA evaluation of all eight discipline clusters.

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2010-11 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

### 3.1 EXPLANATORY TABLES

#### 3.1.1 Movement of administered funds between years

Administered funds can be provided for a specified period, for example under annual Appropriation Acts. Funds not used in the specified period with the agreement of the Finance Minister may be moved to a future year. Table 3.1.1 shows the movement of administered funds approved between years.

**Table 3.1.1: Movement of Administered Funds between years**

	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Outcome 1:					
Program 1.3 Excellence in Research for Australia (ERA) <sup>†</sup>	(2,500)	2,500			
<b>Total Movement of Administered Funds</b>	<b>(2,500)</b>	<b>2,500</b>			

<sup>†</sup> Figures displayed as a negative represent a decrease in funds and a positive reflect an increase in funds.

Movement of \$2.5 million in unspent administered funds from 2009-10 to 2010-11 will ensure the election commitment is met. The transfer of funds is required to provide appropriate support and remuneration for the committee members associated with the ERA evaluation process. The acceptability of results from ERA hinges on the quality and international reputation of the expert reviewers that are appointed.

#### 3.1.2 Special Accounts

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the FMA Act or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the ARC.

**Table 3.1.2: Estimates of Special Account Flows and Balances**

	Outcome	Opening balance	Receipts	Payments	Adjustments	Closing balance
		2010-11 2009-10	2010-11 2009-10	2010-11 2009-10	2010-11 2009-10	2010-11 2009-10
		\$'000	\$'000	\$'000	\$'000	\$'000
ARC Research Endowment Account - Australian Research Council Act 2001 s.62 (A)	1	1,423	7,293	7,293	-	1,423
		2,348	4,319	5,244	-	1,423
<b>Total Special Accounts 2010-11 Budget estimate</b>		<b>1,423</b>	<b>7,293</b>	<b>7,293</b>	<b>-</b>	<b>1,423</b>
<i>Total Special Accounts 2009-10 estimate actual</i>		<i>2,348</i>	<i>4,319</i>	<i>5,244</i>	<i>-</i>	<i>1,423</i>

(A) = Administered

(D) = Departmental

**3.1.3 Australian Government Indigenous Expenditure****Table 3.1.3: Australian Government Indigenous Expenditure**

	Appropriations				Other	Total	Program
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special approp \$'000	Total approp \$'000			
<b>Outcome 1</b>							
<b>Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice</b>							
Administered 2010-11	-	-	1,029	1,029	-	1,029	1.1
<i>Administered 2009-10</i>	-	-	<i>1,004</i>	<i>1,004</i>	-	<i>1,004</i>	<i>1.1</i>
Total outcome 2010-11	-	-	1,029	1,029	-	1,029	
<i>Total outcome 2009-10</i>	-	-	<i>1,004</i>	<i>1,004</i>	-	<i>1,004</i>	
<b>Total AGIE 2010-11</b>	-	-	1,029	1,029	-	1,029	
<i>Total AGIE 2009-10</i>	-	-	<i>1,004</i>	<i>1,004</i>	-	<i>1,004</i>	

## **3.2 BUDGETED FINANCIAL STATEMENTS**

### **3.2.1 Differences in agency resourcing and financial statements**

The estimated administered grant expenses are higher than the special appropriation figures in Table 1.1 due to timing of the recognition of grant expenses and liabilities under the ARC's accounting policies. The accounting policy for grant expenses and liabilities can be found in note 3 under section 3.2.4.

### **3.2.2 Analysis of budgeted financial statements**

#### **Budgeted Departmental Income Statement**

Total expenses in 2010-11 are estimated to be \$22.469 million, representing an increase from the 2009-10 Budget. This increase is due to changes in reporting for those expenses that were previously funded via government Bill No. 1 operating appropriations (such as depreciation and amortisation) but are now funded via a departmental capital budget (DCB).

#### **Budgeted Departmental Balance Sheet**

The ARC's budgeted net asset position is estimated to be \$18.980 million in 2010-11, representing an increase of \$1.288 million from the 2009-10 Budget. The increase is mainly due to an equity injection to fund the development of an IT system to support the implementation of the Excellence in Research for Australia.

The ARC's major assets in 2010-11 are: \$16.231 million in intangibles mainly representing new grant management and evaluation systems; and \$6.544 million in financial assets indicating the estimated appropriation receivable and cash balance.

The ARC's primary liability continues to be accrued employee entitlements which are estimated to increase to \$2.931 million over the forward estimates. Other payables include mainly lease incentive liabilities and make-good provisions.

The ARC's equity (retained surplus) in 2010-11 is estimated to be lower than in 2009-10 along with forward years estimates that show negative amounts (accumulated deficits). This is due to changes in the net cash appropriation arrangements regulated through Operation Sunlight—the Government's reform agenda to improve the openness and transparency of public sector budgetary and financial management, and to promote good governance practices. Due to the implementation of this agenda, from 2010-11 all government agencies (including the ARC) will cease to be funded for depreciation, amortisation and make good expenses. ARC's appropriation estimates are reduced by the depreciation expense currently recorded in the income statement.

#### **Budgeted Departmental Statement of Cash Flows**

Forecast cash flows for the budget and forward estimates relate to the operating activities to implement new budget measures and investing activities to fund

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internally developed software projects to build new grant management and evaluation systems.

#### **Departmental Statement of Changes in Equity**

The ARC's increased equity position to \$18.980 million in 2010-11 is due to the equity injection of \$2.574 million in 2010-11 to fund the development of an IT system to support the implementation of the Excellence in Research for Australia initiative.

#### **Departmental Capital Budget Statement**

The capital budget for the ARC principally relates to internally developed software projects to build new grant management and evaluation systems.

#### **Schedule of Budgeted Income and Expenses Administered on behalf of Government**

In 2010-11 ARC will manage \$733.115 million in grant expenses on behalf of the Government, representing new and ongoing research funding agreements awarded under the National Competitive Grants Program (NCGP). Administered funding for the NCGP increases over the forward estimates mainly due to the implementation of the Future Fellowship scheme announced in the 2008-09 Budget, the commencement of the new Super Science Fellowships in 2009-10, additional funding for new research grants in bionic vision science and technology, and an extension of funding for the National Information and Communication Technology Centre of Excellence.

Administered supplier expenses mainly reflect the funding provided in this budget to develop and implement the Excellence in Research for Australia initiative.

#### **Schedule of Budgeted Assets and Liabilities Administered on behalf of Government**

Total financial assets administered on behalf of Government are estimated to be \$2.820 million in 2010-11, representing the balance of the ARC Research Endowment Account held for jointly funded projects with other research funding bodies and estimated GST receivable at year end.

The estimated liability balance of \$282.424 million in 2010-11 represents the balance of amounts payable under research funding agreements for new and ongoing research projects for calendar year 2011.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1 Comprehensive Income Statement (Showing Net Cost of Services)  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>EXPENSES</b>					
Employee benefits	11,963	<b>12,325</b>	11,775	11,958	11,446
Supplier expenses	7,475	<b>7,187</b>	6,709	6,563	6,387
Depreciation and amortisation	914	<b>2,957</b>	2,983	2,998	2,998
<b>Total expenses</b>	<b>20,352</b>	<b>22,469</b>	<b>21,467</b>	<b>21,519</b>	<b>20,831</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Other	<b>86</b>	<b>88</b>	<b>88</b>	<b>88</b>	<b>88</b>
Sale of goods and services (or provision of goods and services)	-	200	200	-	-
<b>Total revenue</b>	<b>86</b>	<b>288</b>	<b>288</b>	<b>88</b>	<b>88</b>
<b>Total own-source income</b>	<b>86</b>	<b>288</b>	<b>288</b>	<b>88</b>	<b>88</b>
<b>Net cost of services</b>	<b>20,266</b>	<b>22,181</b>	<b>21,179</b>	<b>21,431</b>	<b>20,743</b>
Revenue from Government	20,266	<b>19,224</b>	18,196	18,433	17,745
<b>Surplus (Deficit)</b>	<b>-</b>	<b>(2,957)</b>	<b>(2,983)</b>	<b>(2,998)</b>	<b>(2,998)</b>
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>-</b>	<b>(2,957)</b>	<b>(2,983)</b>	<b>(2,998)</b>	<b>(2,998)</b>

**Note: Reconciliation of operating result attributable to the agency**

	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
<b>Operating result attributable to the Australian Government</b>	-	(2,957)	(2,983)	(2,998)	(2,998)
plus non-appropriated expenses depreciation and amortisation expenses	914	2,957	2,983	2,998	2,998
<b>Operating result attributable to the Agency</b>	<b>914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet  
(as at 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	394	394	394	394	394
Trade and other receivables	5,976	6,150	6,324	6,504	6,504
<b>Total financial assets</b>	<b>6,370</b>	<b>6,544</b>	<b>6,718</b>	<b>6,898</b>	<b>6,898</b>
<b>Non-financial assets</b>					
Land and buildings	2,227	1,973	1,716	1,459	1,172
Property, plant and equipment	345	488	615	769	947
Intangibles	14,832	16,231	16,429	16,494	14,776
Other	20	20	20	20	20
<b>Total non-financial assets</b>	<b>17,424</b>	<b>18,712</b>	<b>18,780</b>	<b>18,742</b>	<b>16,915</b>
<b>Total assets</b>	<b>23,794</b>	<b>25,256</b>	<b>25,498</b>	<b>25,640</b>	<b>23,813</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	608	608	608	608	608
Other	2,723	2,723	2,723	2,723	2,723
<b>Total payables</b>	<b>3,331</b>	<b>3,331</b>	<b>3,331</b>	<b>3,331</b>	<b>3,331</b>
<b>Provisions</b>					
Employee provisions	2,403	2,577	2,751	2,931	2,931
Other	368	368	368	368	368
<b>Total provisions</b>	<b>2,771</b>	<b>2,945</b>	<b>3,119</b>	<b>3,299</b>	<b>3,299</b>
<b>Total liabilities</b>	<b>6,102</b>	<b>6,276</b>	<b>6,450</b>	<b>6,630</b>	<b>6,630</b>
<b>Net assets</b>	<b>17,692</b>	<b>18,980</b>	<b>19,048</b>	<b>19,010</b>	<b>17,183</b>
<b>EQUITY*</b>					
<b>Parent entity interest</b>					
Contributed equity	14,290	18,535	21,586	24,546	25,717
Reserves	130	130	130	130	130
Retained surplus (accumulated deficit)	3,272	315	(2,668)	(5,666)	(8,664)
<b>Total parent entity interest</b>	<b>17,692</b>	<b>18,980</b>	<b>19,048</b>	<b>19,010</b>	<b>17,183</b>
<b>Total equity</b>	<b>17,692</b>	<b>18,980</b>	<b>19,048</b>	<b>19,010</b>	<b>17,183</b>

\* 'Equity' is the residual interest in assets after deduction of liabilities.  
Prepared on Australian Accounting Standards basis.



**Table 3.2.3: Departmental statement of changes in equity—summary of movement (Budget year 2010-11)**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July 2010</b>					
Balance carried forward from previous period	3,272	130	-	14,290	17,692
Operating result after extraordinary item	(2,957)	-	-	-	(2,957)
Adjustment for changes in accounting policies	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>315</b>	<b>130</b>	<b>-</b>	<b>14,290</b>	<b>14,735</b>
<b>Transactions with owners</b>					
<i>Contributions by owners</i>					
Appropriation (equity injection)	-	-	-	2,574	2,574
Appropriation (departmental capital budget)	-	-	-	1,671	1,671
Other	-	-	-	-	-
<b>Sub-total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,245</b>	<b>4,245</b>
<b>Estimated closing balance as at 30 June 2011</b>	<b>315</b>	<b>130</b>	<b>-</b>	<b>18,535</b>	<b>18,980</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Budgeted departmental statement of cash flows  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	-	200	200	-	-
Appropriations	21,118	19,050	18,022	18,253	17,745
Net GST received	583	558	550	550	550
<b>Total cash received</b>	<b>21,701</b>	<b>19,808</b>	<b>18,772</b>	<b>18,803</b>	<b>18,295</b>
<b>Cash used</b>					
Employees	11,785	12,151	11,601	11,778	11,446
Suppliers	7,391	7,099	6,621	6,475	6,299
Net GST paid	583	558	550	550	550
<b>Total cash used</b>	<b>19,759</b>	<b>19,808</b>	<b>18,772</b>	<b>18,803</b>	<b>18,295</b>
<b>Net cash from (used by) operating activities</b>	<b>1,942</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	6,318	4,245	3,051	2,960	1,171
<b>Total cash used</b>	<b>6,318</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>
<b>Net cash from (used by) investing activities</b>	<b>(6,318)</b>	<b>(4,245)</b>	<b>(3,051)</b>	<b>(2,960)</b>	<b>(1,171)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	4,376	4,245	3,051	2,960	1,171
<b>Total cash received</b>	<b>4,376</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>
<b>Net cash from (used by) financing activities</b>	<b>4,376</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>
<b>Net increase (decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	394	394	394	394	394
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>394</b>	<b>394</b>	<b>394</b>	<b>394</b>	<b>394</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental Capital Budget Statement**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1	-	1,671	1,671	1,571	1,171
Equity injections - Bill 2	4,548	2,574	1,380	1,389	
<b>Total capital appropriations</b>	<b>4,548</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>
<b>Total new capital appropriations</b>					
<b>Represented by:</b>					
Purchase of non-financial assets	4,548	4,245	3,051	2,960	1,171
<b>Total Items</b>	<b>4,548</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
<b>ASSETS</b>					
Funded by capital appropriations	4,548	2,574	1,380	1,389	
Funded by capital appropriation <sup>1</sup>	-	1,671	1,671	1,571	1,171
Funded internally from departmental resources <sup>2</sup>	1,770				
<b>TOTAL</b>	<b>6,318</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	6,318	4,245	3,051	2,960	1,171
<b>Total cash used to acquire assets</b>	<b>6,318</b>	<b>4,245</b>	<b>3,051</b>	<b>2,960</b>	<b>1,171</b>

Prepared on Australian Accounting Standards basis.

<sup>1</sup> Does not include annual finance lease costs. Includes purchases from current and previous years Departmental Capital Budgets.

<sup>2</sup> Includes the following sources of funding:

- annual and prior year appropriations
- donations and contributions
- gifts
- internally developed assets
- s31 relevant agency receipts
- proceeds from the sale of assets.

**Table 3.2.6: Statement of Asset Movements (2010-11)**

	Buildings	Other property, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2010</b>				
Gross book value	3,513	985	18,017	22,515
Accumulated depreciation/amortisation and impairment	1,286	640	3,185	5,111
<b>Opening net book balance</b>	<b>2,227</b>	<b>345</b>	<b>14,832</b>	<b>17,404</b>
<b>CAPITAL ASSET ADDITIONS</b>				
<b>Estimated expenditure on new or replacement assets</b>				
By purchase - other	30	240	3,975	4,245
<b>Total additions</b>	<b>30</b>	<b>240</b>	<b>3,975</b>	<b>4,245</b>
<b>Other movements</b>				
Depreciation/amortisation expense	284	97	2,576	2,957
<b>As at 30 June 2011</b>				
Gross book value	3,543	1,225	21,992	26,760
Accumulated depreciation/amortisation and impairment	1,570	737	5,761	8,068
<b>Closing net book balance</b>	<b>1,973</b>	<b>488</b>	<b>16,231</b>	<b>18,692</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Supplier expenses	2,917	5,728	1,335	1,708	3,300
Grants	678,306	733,115	824,837	871,268	881,019
<b>Total expenses administered on behalf of Government</b>	<b>681,223</b>	<b>738,843</b>	<b>826,172</b>	<b>872,976</b>	<b>884,319</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.8: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,423	1,423	423	423	423
Receivables	1,397	1,397	1,397	1,397	1,397
<b>Total financial assets</b>	<b>2,820</b>	<b>2,820</b>	<b>1,820</b>	<b>1,820</b>	<b>1,820</b>
<b>Total assets administered on behalf of Government</b>	<b>2,820</b>	<b>2,820</b>	<b>1,820</b>	<b>1,820</b>	<b>1,820</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Payables</b>					
Grants	258,042	282,424	300,424	300,424	300,424
<b>Total payables</b>	<b>258,042</b>	<b>282,424</b>	<b>300,424</b>	<b>300,424</b>	<b>300,424</b>
<b>Interest bearing liabilities</b>					
Loans	1,397	1,397	1,397	1,397	1,397
<b>Total interest bearing liabilities</b>	<b>1,397</b>	<b>1,397</b>	<b>1,397</b>	<b>1,397</b>	<b>1,397</b>
<b>Provisions</b>					
Other	1,113	1,113	1,113	1,113	1,113
<b>Total provisions</b>	<b>1,113</b>	<b>1,113</b>	<b>1,113</b>	<b>1,113</b>	<b>1,113</b>
<b>Total liabilities administered on behalf of Government</b>	<b>260,552</b>	<b>284,934</b>	<b>302,934</b>	<b>302,934</b>	<b>302,934</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.9: Schedule of budgeted administered cash flows  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Net GST received	3,350	3,350	3,350	3,350	3,350
<b>Total cash received</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>
<b>Cash used</b>					
Grant payments	654,756	709,733	806,837	871,268	881,019
Suppliers	2,917	5,728	1,355	1,708	3,300
Net GST paid	3,350	3,350	3,350	3,350	3,350
<b>Total cash used</b>	<b>661,023</b>	<b>718,811</b>	<b>811,542</b>	<b>876,326</b>	<b>887,669</b>
<b>Net cash from (used by) operating activities</b>	<b>(657,673)</b>	<b>(715,461)</b>	<b>(808,192)</b>	<b>(872,976)</b>	<b>(884,319)</b>
<b>Net increase (decrease) in cash held</b>	<b>(657,673)</b>	<b>(715,461)</b>	<b>(808,192)</b>	<b>(872,976)</b>	<b>(884,319)</b>
Cash and cash equivalents at beginning of reporting period	2,348	1,423	1,423	423	423
Cash from Official Public Account for:					
- Appropriations	655,748	714,461	807,192	872,976	884,319
- Special Accounts	1,000	1,000	-	-	-
	659,096	716,884	808,615	873,399	884,742
<b>Cash and cash equivalents at end of reporting period</b>	<b>1,423</b>	<b>1,423</b>	<b>423</b>	<b>423</b>	<b>423</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.10: Schedule of Administered Capital Budget**

The ARC has no administered capital budget; therefore Table 3.2.10 is not presented.

**Table 3.2.11: Schedule of Asset Movements—Administered**

The ARC has no administered assets; therefore Table 3.2.11 is not presented.

### **3.2.4 Notes to the financial statements**

#### **Note 1: Intangibles**

The ARC's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost.

#### **Note 2: Employee entitlements**

The liability for employee entitlements includes provision for annual leave and long service leave.

#### **Note 3: Grants administered**

The ARC administers a number of grant schemes on behalf of the Government.

Grant liabilities are recognised to the extent that the grant eligibility criteria or reporting requirements have been satisfied. A commitment is recorded when the Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.