

AUSTRALIAN RESEARCH COUNCIL

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AUSTRALIAN RESEARCH COUNCIL

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

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 closely reflects 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 development and 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.

ERA will use bibliometrics and other indicators accompanied by peer review to evaluate the excellence of research within institutions. Institutions will be required to submit portfolios of information about the performance of their disciplines (e.g. in producing research outputs and obtaining research income) for each of eight broad discipline clusters. This information will be considered by Research Evaluation Committees (RECs) who will evaluate the excellence of the research and provide reports to Government. These reports will identify the strengths and weaknesses of research across the higher education institutions to inform future decisions by the Government on investment in universities.

A trial evaluation of two discipline clusters, Physical, Chemical and Earth Sciences and Humanities and Creative Arts, will be conducted in 2009. A full evaluation of all eight broad clusters of disciplines will be conducted in 2010.

The Government will provide \$27.2 million over four years to run two rounds of three-year Super Science fellowships, to ensure our most promising young researchers

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continue to have opportunities to work in scientific areas of national significance during the global recession.

Fellowships will be offered in three areas where there is capacity to build on Australia's strengths in:

- Super Science – Space and Astronomy;
- Super Science – Marine and Climate; and
- Super Science – Future Industries.

The scheme will offer 100 fellowships in total (50 fellowships per round), each worth up to \$72,500 per annum plus on costs. The first round of fellowships to commence funding in 2010, with applications called in the second half of 2009.

The new fellowships will be administered by the Australian Research Council under the existing Discovery program of the National Competitive Grants Program and will be available to researchers in universities and publicly funded research agencies within the targeted science fields.

In February 2009, the Government announced additional opportunities for Indigenous researchers under reforms made the *Discovery Indigenous Researchers Development* scheme for funding commencing in 2010. One of the major reforms is the introduction of a new fellowship for more senior Indigenous researchers – the Australian Research Fellowship Indigenous.

These new fellowship schemes are in addition to the *Australian Laureate Fellowships* scheme announced in September 2008 and the *Future Fellowship* scheme announced in last year's budget. These new schemes in conjunction with the other existing research fellowships offered by the ARC under the National Competitive Grants Program form a comprehensive framework for Australia to participate effectively in the global competition for research talent and to attract and retain the world's finest minds. Together these fellowships provide an attractive career path, allowing gifted researchers to tackle the big issues, building a stronger, more diverse research community and a robust national innovation system.

The Prime Minister's 2020 Summit identified the bionic eye as a significant opportunity to improve the quality of life for the vision-impaired. The Government is committing \$50 million over four years to the Special Research Initiatives Scheme of the Australian Research Council's National Competitive Grants Program specifically for research grants in Bionic Vision Science and Technology. The grants will be awarded to the organisation(s) (and associated partners) best placed to develop a functional bionic eye in Australia in the long term.

An aspect of the development of the bionic eye is proving the efficacy and biostability of such implantable medical devices and developing appropriate mechanical and software control systems. This may lead to significant benefits in intellectual property

development, providing further commercial opportunities for Australia. The grants program has the potential to enhance Australia's position as a leader in implantable bionics and its reputation as an innovator in a high technology field characterised by strong global competition.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. 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 2009-10 as at Budget May 2009

	Estimate of prior + year amounts available in 2009-10 \$'000	Proposed at Budget = 2009-10 \$'000	Total estimate 2009-10 \$'000	Actual available appropriation 2008-09 \$'000
Ordinary Annual Services¹				
Departmental appropriation				
Prior year departmental appropriation ⁴	5,423	-	5,423	
Departmental appropriation	-	20,266	20,266	15,856
S.31 Relevant agency receipts ³	-	-	-	-
Total	5,423	20,266	25,689	15,856
Administered expenses				
Outcome 1	-	5,417	5,417	40
Total	-	5,417	5,417	40
Total ordinary annual services	A 5,423	25,683	31,106	15,896
Other services²				
Departmental non-operating				
Equity injections	-	4,548	4,548	-
Total	-	4,548	4,548	-
Total other services	B -	4,548	4,548	-
Total Available Annual Appropriations	5,423	30,231	35,654	15,896
Special appropriations				
Special appropriations limited by amount				
ARC Act 2001	-	652,831	652,831	585,884
Total special appropriations	C -	652,831	652,831	585,884
Total appropriations excluding Special Accounts	5,423	683,062	688,485	601,780

Table 1.1: ARC resource statement — Budget estimates for 2009-10 as at Budget May 2009 (continued)

	Estimate of prior + year amounts available in 2009-10 \$'000	Proposed at Budget = 2009-10 \$'000	Total estimate 2009-10 \$'000	Actual available appropriation 2008-09 \$'000
Special Accounts				
Opening balance ⁵	2,161	-	2,161	-
Appropriation receipts ⁶	-	-	-	-
Appropriation receipts - other agencies ⁷	-	1,000	1,000	1,925
Non-appropriation receipts to Special Accounts	-	-	-	-
Total Special Account	D 2,161	1,000	3,161	1,925
Total resourcing				
A+B+C+D	7,584	684,062	691,646	603,705
Less appropriations drawn from annual or special appropriations above and credited to special accounts	-	-	-	-
Total net resourcing for ARC	7,584	684,062	691,646	603,705

¹ Appropriation Bill (No.1) 2009-10² Appropriation Bill (No.2) 2009-10³ s31 Relevant Agency receipts – estimate⁴ Estimated adjusted balance carried from previous year for Annual Appropriations⁵ Estimated opening balance for special accounts. For further information on special accounts see Table 3.1.3.⁶ Appropriation receipts from ARC annual and special appropriations for 2008-09 included above⁷ Appropriation receipts from other agencies credited to ARC's special accounts

Reader note: All figures are GST exclusive.

1.3 BUDGET MEASURES

Budget measures relating to the ARC are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Agency 2009-10 Budget measures

	Program	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000
Expense measures						
Development of innovative health technologies - bionic eye						
	1.2					
	Administered expenses	-	10,000	10,000	15,000	15,000
	Total	-	10,000	10,000	15,000	15,000
National ICT Australia - funding extension ¹						
	1.2					
	Administered expenses	-	-	-	25,000	23,750
	Total	-	-	-	25,000	23,750
An Innovation and Higher Education System for the 21st Century						
	1.3					
- Excellence in Research for Australia						
	Administered expenses	-	5,377	3,189	1,316	1,668
	Departmental expenses	-	4,227	4,098	3,027	3,056
	Total	-	9,604	7,287	4,343	4,724
- Super Science Fellow ships Program						
	1.1					
	Administered expenses	-	2,320	7,092	9,635	7,364
	Departmental expenses	-	267	212	117	180
	Total	-	2,587	7,304	9,752	7,544
Total expense measures						
	Administered	-	17,697	20,281	50,951	47,782
	Departmental	-	4,494	4,310	3,144	3,236
	Total	-	22,191	24,591	54,095	51,018
Capital measures						
An Innovation and Higher Education System for the 21st Century - Excellence in Research for Australia						
	1.3					
	Departmental capital	-	4,548	2,574	1,380	1,389
	Total	-	4,548	2,574	1,380	1,389
Total capital measures						
	Departmental	-	4,548	2,574	1,380	1,389
	Total	-	4,548	2,574	1,380	1,389

Prepared on a Government Financial Statistics (fiscal) basis.

1. The lead agency for the NICTA measure is the Department of Broadband, Communications and the Digital Economy. The full measure description and package details appear in Budget Paper 2 under the Broadband, Communications and the Digital Economy portfolio.

1.4 TRANSITION FROM OUTCOMES AND OUTPUTS TO OUTCOMES AND PROGRAMS

From the 2009-10 Budget, all General Government Sector (GGS) entities will be reporting on a program basis. The table below outlines the transition from the 2008-09 Budget year (as at Additional Estimates) which was presented in administered items, outputs and output groups to the program reporting framework used for the 2009-10 Budget. The table also captures revisions made to GGS outcome statements under the Operation Sunlight Outcome Statements Review.

Figure 2: Transition table

2008-09 Budget year

Outcome 1: Australian research that advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australain community

Output Group 1.1: Competitive research schemes	
Administered Items:	
<i>Discovery</i>	P 1.1
<i>Linkage</i>	P 1.2
Departmental Outputs:	
<i>Program Management</i>	

2009-10 Budget year

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

Program 1.1: Discovery – research and research training	
Administered Items:	
<i>Discovery funding schemes</i>	
Program Support	OG1.1

Program 1.2: Linkage – cross sector research partnerships	
Administered Items:	
<i>Linkage funding schemes</i>	
Program Support	OG1.1

Program 1.3: Excellence in research for Australia	
Administered Items:	
<i>Excellence in research for Australia</i>	
Program Support	

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. Agencies deliver programs which are the Government actions taken to deliver the stated outcomes. 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 Australian Research Council 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 the 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, centres and networks in partnership with organisations in the private sector, government or the community. 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 a new framework for the evaluation of the excellence of research undertaken in Australia's universities. It will evaluate research quality using a combination of indicators and expert review by committees comprising experienced, internationally-recognised experts. The new framework – *Excellence in Research for Australia* (ERA) – aims to identify excellence across the full spectrum of research activities and compare Australia's university research effort against international benchmarks.

Outcome 1 Budgeted Expenses and Resources

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

Outcome 1: Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice	2008-09 Estimated actual expenses \$'000	2009-10 Estimated expenses \$'000
Program 1.1: Discovery - Research and Research Training		
Administered expenses		
Ordinary Annual Services (Appropriation Bill No. 1)	40	40
Special appropriations	322,276	372,406
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	6,568	6,643
Expenses not requiring appropriation in the Budget year	43	43
Total for Program 1.1	328,927	379,132
Program 1.2: Linkage - Cross Sector Research Partnerships		
Administered expenses		
Special appropriations	263,608	280,425
Special Accounts	1,925	1,000
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	9,288	9,396
Expenses not requiring appropriation in the Budget year	43	43
Total for Program 1.2	274,864	290,864
Program 1.3: Excellence in Research for Australia		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	0	5,377
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	0	4,227
Expenses not requiring appropriation in the Budget year	4,500	0
Total for Program 1.3	4,500	9,604
Outcome 1 Totals by appropriation type		
Administered Expenses		
Ordinary annual services (Appropriation Bill No. 1)	40	5,417
Special Appropriations	585,884	652,831
Special Accounts	1,925	1,000
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	15,856	20,266
Expenses not requiring appropriation in the Budget year	4,586	86
Total expenses for Outcome 1	608,291	679,600
	2008-09	2009-10
Average Staffing Level (number)	97	107

Note: Departmental Appropriation splits and totals are indicative estimates based on an attribution model maintained by the ARC and may change in the course of the budget year as government priorities change.

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)
- enhance the scale and focus of research in areas of national priority.

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

The success of the Program will be evident by research outputs that indicate how ARC-funded researchers perform in comparison to other researchers in Australia and internationally; by the quantity of research students and early-career researchers supported and mentored through the Program; by the quantity of outstanding researchers attracted to Australia to take up ARC Fellowships; and by the level of international collaboration taking place on research supported through the Program.

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.

	2008-09 Revised budget	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
(’000)					
Annual Administered Expenses:					
Administered Item	40	40	40	40	
Special Appropriations:					
<i>Australian Research Council Act 2001</i>	322,276	372,406	422,811	478,352	526,742
Special Account Expenses:					
<i>ARC Research Endowment Account</i>					
Program Support	6,568	6,643	6,775	6,771	6,793
Expenses not requiring Appropriation in the Budget year	43	43	44	44	44
Total Program Expenses	328,927	379,132	429,670	485,207	533,579

Note: Departmental Appropriation splits and totals are indicative estimates based on an attribution model maintained by the ARC and may change in the course of the budget year as government priorities change.

Program 1.1 Deliverables

Through the Discovery program, the ARC delivers funding to individual research projects and research fellowships through the following schemes – *Discovery Projects, Discovery Indigenous Researchers Development, Future Fellowships and Australian Laureate Fellowships*. Funding is awarded to administering organisations on the basis of a competitive peer review process involving Australian and international experts.

An increase in the targets for 2009–10 and subsequent years is the result of new fellowship schemes, *Future Fellowships and Super Science Fellowships*, which will commence funding in 2009–10.

Deliverables	2008-09 Revised budget	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
Number of grants awarded ¹	868	1120	1120	1070	1070
Number of administering organisations	54	75	75	75	75
Amounts awarded to administering organisations (\$’000) ²	\$312,948	\$510,457	\$520,360	\$516,004	\$526,306

(1) Grants commencing in calendar year

(2) Funding allocation over the lives of the projects for funding commencing in calendar year

Program 1.1 Key Performance Indicators

There are limitations to which the effectiveness of the Discovery Program in meeting its objectives can be measured as 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 (including the number of early-career researchers participating in ARC funded research). These indicators reflect the contribution of ARC-funded research to the development of Australia's ongoing research capacity.
- Collaboration (including instances of international research collaboration and the proportion of projects involving teams of researchers from different institutions) which reflects the performance of the Discovery schemes in supporting links between researchers and with research centres overseas.
- Areas of national priority (including the proportion of projects involving research in 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	2008-09 Revised budget	2009-10 Budget Target	2010-11 Forw ard year 1	2011-12 Forw ard year 2	2012-13 Forw ard year 3
Research careers ¹					
Early-career researchers as % of total researchers supported under Discovery projects ²	16.8%	17.8%	17.8%	17.8%	17.8%
Collaboration					
Projects involving International collaboration as % of total Discovery projects	58.9%	59.8%	60.0%	60.0%	60.0%
Projects involving CIs from different organisations as % of total Discovery projects	19.9%	20.5%	20.0%	20.0%	20.0%
Areas of national priority					
Projects involving research in areas of national priority as % of total Discovery projects	86.2%	89.9%	89.0%	89.0%	89.0%

(1) Early career researchers are defined as researchers within 5 years of completing their PhDs

(2) Chief Investigators 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 (between researchers and end-users of research) and with innovation systems internationally. Specifically the Linkage Program aims to:

- encourage end-user organisations (including business, industry, community organisations and other publicly funded research agencies) to partner with university-based researchers.
- 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.
- through funding for Research Centres encourage the growth of clusters of research and research training as platforms for innovation.

By supporting the development of partnerships, the Linkage Program encourages the 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.*

The success of the Program will be evident through the level of financial contributions and incidences of repeat business from partner organisations, academic outputs, quantity of research students and early-career researchers supported through the scheme and level of international collaboration.

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Program expenses

- Increased funding for the Linkage program over the forward estimates is due to 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.

	2008-09 Revised budget	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
(’000)					
Annual Administered Expenses:					
Special Appropriations:					
<i>Australian Research Council Act 2001</i>	263,608	280,425	284,529	323,344	328,329
Special Account Expenses:					
<i>ARC Research Endowment Account</i>	1,925	1,000	1,000	0	0
Program Support	9,288	9,396	9,365	9,438	9,608
Expenses not requiring Appropriation in the Budget year	43	43	44	44	44
Total Program Expenses	274,864	290,864	294,938	332,826	337,981

Note: Departmental Appropriation splits and totals are indicative estimates based on an attribution model maintained by the ARC and may change in the course of the budget year as government priorities change.

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 a competitive peer review process involving Australian and international experts.

Deliverables	2008-09 Revised budget	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
Number of grants awarded ¹	493	506	505	505	505
Number of administering organisations	47	50	50	50	50
Amounts awarded to administering organisations (\$’000) ²	\$ 167,103	\$ 156,819	\$ 159,915	\$ 162,368	\$ 165,615

(1) Grants commencing in calendar year

(2) Funding allocation for Linkage Projects and Linkage Infrastructure, Equipment and Facilities projects over the lives of the projects for funding commencing in calendar year

Program 1.2 Key Performance Indicators

As noted under the Discovery Program, there are limitations to which the effectiveness of the Linkage Program in meeting its objectives can be measured as 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 (including number of partner organisations and incidences of repeat business). This indicator reflects 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 the projects results.
- Research careers (including number of APDIs and APAIs). These indicators reflect the program's success in facilitating the transfer of skills between different sectors of the national innovation system.
- Infrastructure (including proportion of infrastructure projects involving collaboration). This indicator reflects the contribution of the Linkage Program to shared acquisition of research infrastructure avoiding duplication of investment and strengthening opportunities for collaborative research.

Key Performance Indicators	2008-09 Revised budget	2009-10 Budget Target	2010-11 Forw ard year 1	2011-12 Forw ard year 2	2012-13 Forw ard year 3
Collaboration					
Number of partner organisations (LP)	858	850	850	850	850
Financial contributions of partner organisations (LP) (\$'000)	\$244,013	\$ 240,000	\$240,000	\$240,000	\$240,000
Projects involving International collaboration as % of total Linkage projects	32.7%	30.0%	30.0%	30.0%	30.0%
Research careers					
Number of Australian Postdoctoral Fellow ships Industry aw arded	26	30	30	30	30
Number of Australian Postgraduate Awards Industry aw arded	321	320	320	320	320
Infrastructure					
Infrastructure projects involving collaboration betw een institutions as % of total projects	86.3%	85.0%	85.0%	85.0%	85.0%

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 this budget to develop and implement the Excellence in Research for Australia initiative.

	2008-09 Revised budget	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
(’000)					
Annual Administered Expenses:					
Administered Item	0	5,377	3,189	1,316	1,668
Program Support		4,227	6,078	5,006	5,030
Expenses not requiring Appropriation in the Budget year	4,500				
Total Program Expenses	4,500	9,604	9,267	6,322	6,698

Note: Departmental Appropriation splits and totals are indicative estimates based on an attribution model maintained by the ARC and may change in the course of the budget year as government priorities change.

Program 1.3 Deliverables

- A trial evaluation of two discipline clusters, Physical, Chemical and Earth Sciences and Humanities and Creative Arts, across 41 Australian higher education institutions will be conducted in 2009. Outcomes will be reported at the conclusion of the evaluation process.
- A full evaluation of all eight discipline clusters will be conducted in 2010 with outcomes reported at the conclusion of the evaluation process.

Program 1.3 Key Performance Indicators

- Successful implementation of the 2009 ERA trial evaluation of two clusters, Physical, Chemical and Earth Sciences and Humanities and Creative Arts.
- 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 budget year 2009-10. 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

The ARC did not apply for movement of annual administered funds from 2008-09 to 2009-10 therefore Table 3.1.1 is not presented. However, the ARC has re-profiled special appropriation funding under the *Australian Research Council Act 2001* to reflect the funding profile required for the Future Fellowships commencing in July 2009.

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 *Financial Management and Accountability Act 1997* 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 cash flows and balances

		Opening balance 2009-10 2008-09	Receipts 2009-10 2008-09	Payments 2009-10 2008-09	Adjustments 2009-10 2008-09	Closing balance 2009-10 2008-09
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
ARC Research Endowment Account - <i>Australian Research Council Act 2001 s62 (A)</i>	1	2,161	1,000	1,925	-	1,236
		2,161	1,925	1,925	-	2,161
Total Special Accounts 2009-10 Budget estimate		2,161	1,000	1,925	-	1,236
<i>Total Special Accounts 2008-09 estimate actual</i>		2,161	1,925	1,925	-	2,161

(A) = Administered
(D) = Departmental

3.1.3 Australian Government Indigenous Expenditure

Table 3.1.3: Australian Government Indigenous Expenditure

	Appropriations				Other \$'000	Total \$'000	Program
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special approp \$'000	Total approp \$'000			
	ARC Outcome 1						
Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice							
Administered 2009-10	-	-	901	901	-	901	1.1
<i>Administered 2008-09</i>	-	-	<i>951</i>	<i>951</i>	-	<i>951</i>	<i>1</i>
Total Outcome 2009-10	-	-	901	901	-	901	
<i>Total Outcome 2008-09</i>	-	-	<i>951</i>	<i>951</i>	-	<i>901</i>	
Total AGIE 2009-10	-	-	901	901	-	901	
<i>Total AGIE 2008-09</i>	-	-	<i>951</i>	<i>951</i>	-	<i>901</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 the timing of the recognition of grant expenses and liabilities under the ARC's accounting policies. The accounting policy for grant expenses and liability 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 2009-10 are estimated to be \$20.352 million, down slightly from \$20.442 million in 2008-09. While expenses are at similar levels, revenue was \$4.410 million lower resulting in the ARC running an operating loss of \$4.5 million in 2008-09. This is due to the development of the Excellence in Research for Australia initiative in 2008-09 which was funded from unspent appropriation funding carried over from 2007-08.

Budgeted Departmental Balance Sheet

The ARC's budgeted net asset position is estimated to be \$17.332 million in 2009-10 increasing to \$22.675 million across the forward estimates. The increase is due to an equity injection of \$9.891 million 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 2009-10 are: \$13.913 million in intangibles mainly representing new grant management and evaluation systems; and \$6.525 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 \$2.959 million over the forward estimates. Other payables include mainly lease incentive liabilities and make-good provisions.

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

ARC Budget Statements

Departmental Statement of Changes in Equity

The ARC's increased equity position of \$17.332 million in 2009-10 is due to the equity injection of \$4.548 million relating to the capital budget measure to fund to IT system to support the development of the Excellence in Research for Australia initiative.

Departmental capital budget statement

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

Schedule of Budgeted Revenues and Expenses Administered on behalf of Government

In 2009-10 the ARC will manage \$678.306 million in grant expenses on behalf of the Government, representing new and ongoing research funding agreements awarded under the National Competitive Grants Program. Administered funding for the National Competitive Grants Program increases over the forward estimates due to the implementation of the Future Fellowship scheme announced in the 2008-09 Budget, the commencement of new Budget initiatives as outlined in Table 1.2.

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 administered assets are estimated to be \$2.998 million in 2009-10, 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 \$269.621 million in 2009-10 represents the balance of payments under research funding agreements for new and ongoing research projects for calendar year 2010.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental comprehensive income statement
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
EXPENSES					
Employee benefits	10,059	11,963	12,125	11,575	11,958
Supplier	9,491	7,475	7,224	6,744	6,563
Depreciation and amortisation	892	914	2,957	2,983	2,998
Total expenses	20,442	20,352	22,306	21,302	21,519
LESS:					
OWN-SOURCE INCOME					
Revenue					
Other revenue	86	86	88	88	88
Total revenue	86	86	88	88	88
Total own-source income	86	86	88	88	88
Net cost of services	20,356	20,266	22,218	21,214	21,431
Appropriation revenue	15,856	20,266	22,218	21,214	21,431
Surplus (Deficit)	(4,500)	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	(4,500)	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
ASSETS					
Financial assets					
Cash and equivalents	181	181	181	181	181
Trade and other Receivables	5,515	6,344	9,214	12,110	15,027
Total financial assets	5,696	6,525	9,395	12,291	15,208
Non-financial assets					
Land and buildings	2,659	2,415	2,161	1,904	1,647
Infrastructure, plant and equipment	355	290	224	155	71
Intangibles	9,709	13,913	14,111	13,095	12,088
Other	17	17	17	17	17
Total non-financial assets	12,740	16,635	16,513	15,171	13,823
Total assets	18,436	23,160	25,908	27,462	29,031
LIABILITIES					
Provisions					
Employees	2,255	2,431	2,605	2,779	2,959
Other	368	368	368	368	368
Total provisions	2,623	2,799	2,973	3,147	3,327
Payables					
Suppliers	586	586	586	586	586
Other	2,443	2,443	2,443	2,443	2,443
Total payables	3,029	3,029	3,029	3,029	3,029
Total liabilities	5,652	5,828	6,002	6,176	6,356
Net assets	12,784	17,332	19,906	21,286	22,675
EQUITY*					
Parent entity interest					
Contributed equity	9,914	14,462	17,036	18,416	19,805
Reserves	130	130	130	130	130
Retained surpluses or accumulated deficits	2,740	2,740	2,740	2,740	2,740
Total parent entity interest	12,784	17,332	19,906	21,286	22,675
Total equity	12,784	17,332	19,906	21,286	22,675
Current assets	5,713	6,542	9,412	12,308	15,225
Non-current assets	12,723	16,618	16,496	15,154	13,806
Current liabilities	2,132	2,185	2,239	2,292	2,346
Non-current liabilities	3,520	3,643	3,763	3,884	4,010

Prepared on Australian Accounting Standards basis.

*'Equity' is the residual interest in assets after deduction of liabilities.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	25,452	19,437	19,348	18,318	18,514
Other	607	583	558	550	550
Total cash received	26,059	20,020	19,906	18,868	19,064
Cash used					
Employees	9,846	11,785	11,951	11,401	11,778
Suppliers	10,012	7,974	7,694	7,206	7,025
Total cash used	19,858	19,759	19,645	18,607	18,803
Net cash from or (used by) operating activities	6,201	261	261	261	261
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant equipment and intangibles	6,201	4,809	2,835	1,641	1,650
Total cash used	6,201	4,809	2,835	1,641	1,650
Net cash from or (used by) investing activities	(6,201)	(4,809)	(2,835)	(1,641)	(1,650)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	4,548	2,574	1,380	1,389
Total cash received	-	4,548	2,574	1,380	1,389
Net cash from or (used by) financing activities	-	4,548	2,574	1,380	1,389
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period					
Cash at the end of the reporting period	181	181	181	181	181

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2009-10)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2009					
Balance carried forward from previous period	2,740	130	-	9,914	12,784
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	2,740	130	-	9,914	12,784
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	4,548	4,548
Other:					
Restructuring	-	-	-	-	-
Sub-total transactions with owners	-	-	-	4,548	4,548
Estimated closing balance as at 30 June 2010	2,740	130	-	14,462	17,332

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	4,548	2,574	1,380	1,389
Total capital appropriations	-	4,548	2,574	1,380	1,389
Represented by:					
Purchase of non-financial assets	-	4,548	2,574	1,380	1,389
Total represented by	-	4,548	2,574	1,380	1,389
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	4,548	2,574	1,380	1,389
Funded internally from departmental resources ¹	6,201	261	261	261	261
TOTAL	6,201	4,809	2,835	1,641	1,650

Prepared on Australian Accounting Standards basis.

¹Includes the following sources of funding: annual and prior year appropriations; donations and contributions; gifts; finance leases; internally developed assets; s31 relevant agency receipts; and proceeds from the sale of assets

Table 3.2.6: Statement of Asset Movements – Departmental

	Buildings \$'000	Other Infrastructure, Plant & Equipment \$'000	Intangibles \$'000	Other Non-financial Assets \$'000	Total \$'000
as at 1 July 2009					
Gross book value	3,513	1,000	12,622	17	17,152
Accumulated depreciation/ amortisation	854	645	2,913	-	4,412
Opening net book balance	2,659	355	9,709	17	12,740
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
by purchase or internally developed	30	31	4,748	-	4,809
Acquisition of entities or operations (including restructuring)	-	-	-	-	-
Sub-total	30	31	4,748	-	4,809
Other Movements					
Assets held for sale or in a disposal group held for sale					
Depreciation/amortisation expense	274	96	544	-	914
Other					-
as at 30 June 2010					
Gross book value	3,543	1,031	17,370	17	21,961
Accumulated depreciation/ amortisation	1,128	741	3,457	-	5,326
Closing net book balance	2,415	290	13,913	17	16,635

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 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	593,452	678,306	731,723	820,697	855,031
Suppliers	40	5,417	3,228	1,355	1,708
Total expenses administered on behalf of Government	593,492	683,723	734,951	822,052	856,739

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 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	2,161	1,236	1,236	236	236
Receivables	1,762	1,762	1,762	1,762	1,762
Total financial assets	3,923	2,998	2,998	1,998	1,998
Total assets administered on behalf of Government					
	3,923	2,998	2,998	1,998	1,998
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Grants	245,071	269,621	294,003	312,003	312,003
Total payables	245,071	269,621	294,003	312,003	312,003
Total liabilities administered on behalf of Government					
	245,071	269,621	294,003	312,003	312,003

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash received					
Net GST received	3,350	3,350	3,350	3,350	3,350
Total cash received	3,350	3,350	3,350	3,350	3,350
Cash used					
Grant payments	587,809	654,756	708,341	802,697	855,031
Suppliers	40	5,417	3,228	1,355	1,708
Net GST paid	3,350	3,350	3,350	3,350	3,350
Total cash used	591,199	663,523	714,919	807,402	860,089
Net cash from or (used by)					
operating activities	(587,849)	(660,173)	(711,569)	(804,052)	(856,739)
Net increase or (decrease) in					
cash held	(587,849)	(660,173)	(711,569)	(804,052)	(856,739)
Cash at beginning of reporting period	1,136	2,161	1,236	1,236	236
Cash from Official Public Account for:					
- appropriations	585,924	658,248	710,569	803,052	856,739
- Special Accounts	2,950	1,000	1,000	-	-
Cash at end of reporting period	2,161	1,236	1,236	236	236

Prepared on Australian Accounting Standards basis.

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

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.