

OFFICE OF THE FAIR WORK BUILDING INDUSTRY INSPECTORATE

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OFFICE OF THE FAIR WORK BUILDING INDUSTRY INSPECTORATE

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Office of the Fair Work Building Industry Inspectorate (FWBII) is an independent statutory agency established by the *Fair Work (Building Industry) Act 2012*. FWBII commenced operations on 1st June 2012.

In respect of the building and construction industry, FWBII is primarily responsible for:

- the provision of education, assistance and advice to industry participants regarding their rights and obligations
- inquiring into and investigating acts or practices by industry participants
- commencing civil penalty litigation, or making submissions to Fair Work Australia, to enforce compliance by industry participants
- representing industry participants who are, or may become, a party to court proceedings or matters before Fair Work Australia to promote compliance with relevant workplace laws
- referring matters to relevant authorities where appropriate.

in relation to:

- *Fair Work (Building Industry) Act 2012*
- *Fair Work Act 2009, the Fair Work (Transitional Provisions and Consequential Amendments) Act 2009 and the Independent Contractors Act 2006*
- safety net contractual entitlements
- awards, agreements, orders, the Australian Fair Pay and Conditions Standard, a fair work instrument and the National Employment Standards, and
- the National Code of Practice for the Construction Industry.

FWBII Budget Statements – Overview & resources

Subject to any Ministerial determinations providing otherwise, FWBII will commence operations on, or around, 1 June 2012 in accordance with the *Fair Work (Building Industry) Act 2012*. The staff, assets, liabilities and Departmental appropriations of the Office of the Australian Building and Construction Commissioner (ABCC) will transfer to Fair Work Building Industry Inspectorate (FWBII) on the commencement date of the *Fair Work (Building Industry) Act 2012*.

During 2012-13, FWBII plans to achieve the following outcomes:

- Enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice.

Challenges facing FWBII outcomes during 2012-13 include:

- promoting awareness of legislative changes applicable to building and construction industry participants;
- maintaining momentum of reform during the transition period to new regulatory arrangements and statutory offices.

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: Office of the Fair Work Building Industry Inspectorate Resource Statement — Budget Estimates for 2012-13 as at Budget May 2012

	Estimate of prior + year amounts available in 2012- 13 \$'000	Proposed at Budget = 2012- 13 \$'000	Total estimate 2012- 13 \$'000	Actual available appropriation 2011- 12 \$'000
Ordinary annual services				
Departmental appropriation				
Prior year departmental appropriation ^{1,2&3}	43,947	30,656	74,603	-
Departmental appropriation ⁴	-	70	70	6
Total	43,947	30,726	74,673	6
Total ordinary annual services	A 43,947	30,726	74,673	6
Other services				
Departmental non- operating				
Equity injections	-	-	-	-
Total	-	-	-	-
Total other services	B -	-	-	-
Total available annual appropriations	43,947	30,726	74,673	6
Special appropriations				
Total special appropriations	C -	-	-	-
Total appropriations excluding Special Accounts	43,947	30,726	74,673	6
Special Accounts				
Opening balance	-	-	-	-
Total Special Account	D -	-	-	-
Total resourcing A+B+C+D	43,947	30,726	74,673	6
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	-	-	-	-
Total net resourcing for the Office of the Fair Work Building Industry Inspectorate	43,947	30,726	74,673	6

¹Appropriation Bill (No. 1) 2012- 13

² Estimated adjusted balance carried forward from previous year

³ Includes an amount of \$0.676m in 2012- 13 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'.

⁴ s31 Relevant Agency receipts - estimate

All figures are GST exclusive.

1.3 BUDGET MEASURES

Budget measures relating to the Office of the Fair Work Building Industry Inspectorate are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Office of the Fair Work Building Industry Inspectorate 2012-13 Budget measures

	Program	2011-12	2012-13	2013-14	2014-15	2015-16
		\$'000	\$'000	\$'000	\$'000	\$'000
Expense measures						
Office of the Fair Work Building Industry Inspectorate - operational efficiencies	1.1					
Departmental expenses		-	(3,000)	(3,000)	(3,000)	(3,000)
Total		-	(3,000)	(3,000)	(3,000)	(3,000)
Total expense measures						
Departmental		-	(3,000)	(3,000)	(3,000)	(3,000)
Total		-	(3,000)	(3,000)	(3,000)	(3,000)

Prepared on a Government Finance Statistics (fiscal) basis.

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 FWBII in achieving Government outcomes.

Outcome 1: Enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice.

Outcome 1 Strategy

Key strategies towards achieving FWBII's outcome in 2012-13 are to:

- provide education, assistance and advice to industry participants
- conduct targeted educational and compliance campaigns
- conduct investigations into alleged breaches of workplace laws
- commence civil penalty litigation
- provide ready-access to information on relevant workplace laws and codes of practice

Outcome Expense Statement

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

Table 2.1: Budgeted Expenses for Outcome 1

	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
Outcome 1: Enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice.		
Program 1.1: Education, advice and compliance functions		
Departmental expenses		
Departmental appropriation ¹	2,802	30,050
Expenses not requiring appropriation in the Budget year ²	115	1,687
Total for Program 1.1	2,917	31,737
Outcome 1 Totals by appropriation type		
Departmental expenses		
Departmental appropriation ¹	2,802	30,050
Expenses not requiring appropriation in the Budget year ²	115	1,687
Total expenses for Outcome 1	2,917	31,737
	2011-12	2012-13
Average Staffing Level (number) ³	-	155

¹ Departmental Appropriation combines "Ordinary annual services (Appropriation Bill No. 1)" and "Revenue from independent sources (s31)".

² Expenses not requiring appropriation in the Budget year is made up of Depreciation Expense, Amortisation Expense, Makegood Expense, Audit Fees.

³ On 1 June 2012 the ABCC was abolished and new a new agency was created in its place. Although the FWBII was operational with staff in 2011- 12 the ASL count is shown against ABCC.

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

Contributions to Outcome 1

Program 1.1: Education, Advice and Compliance Functions

Program objective
 Enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice.

Program expenses
 FWBII has not identified any significant trends, changes or variances in the program expenses over the forward years.

Program 1.1 Deliverables	
The deliverables of FWBII are to: <ul style="list-style-type: none"> • Promote awareness of, and compliance with, workplace laws by all participants of the building and construction industry. • Investigate alleged breaches of workplace laws and undertake targeted educational and compliance activities. • Litigate, where necessary, to enforce compliance with workplace laws. 	
KPI	2012-13 Target
Level of satisfaction of clients with quality and timeliness of advice and assistance provided by FWBII.	75 per cent of surveyed clients satisfied or highly satisfied.
Timeliness in bringing actions against contraventions of the <i>Fair Work Act 2009</i> , the <i>Independent Contractors Act 2006</i> , agreements, awards and orders.	File 75% of matters in court within 18 months of the complaint being lodged.
Level of satisfaction of a range of industry participants with contact aimed at promoting appropriate standards of conduct.	75 per cent of cases commenced within 18 months of receipt of complaint.

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 2012-13 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

FWBII has no Administered funds. For this reason Table 3.1.1 is not presented.

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 FWBII.

Table 3.1.2: Estimates of Special Account Flows and Balances

FWBII has no Special accounts. For this reason Table 3.1.2 is not presented.

3.1.3 Australian Government Indigenous Expenditure

The 2012-13 Australian Government Indigenous Statement is not applicable because FWBII has no indigenous specific expenses. For this reason Table 3.1.3 is not presented.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

FWBII does not have any significant differences to report.

3.2.2 Analysis of budgeted financial statements

An analysis of FWBII's budgeted financial statements for 2012-13 is provided below.

Comprehensive income statement

FWBII is budgeting for a deficit equal to the unappropriated depreciation and amortisation expense in 2012-13 and the three forward years.

Total expenses for 2012-13 is estimated to be \$31.8 million.

Budgeted departmental balance sheet

FWBII has a budgeted net asset position of \$36.5 million in 2012-13.

Total assets for 2012-13 are estimated to be \$43.5 million comprising \$38.8 million of financial assets and \$4.7 million in non-financial assets.

Total liabilities for 2012-13 are estimated to be \$7.0 million with the primary liabilities being accrued employee entitlements which total \$3.0 million, supplier payables of \$1.1 million and lease incentives of \$2.9 million.

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	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES					
Employee benefits	1,586	19,524	20,001	20,587	21,292
Suppliers	1,221	10,584	10,461	10,182	9,868
Depreciation and amortisation	110	1,629	1,477	1,527	2,472
Total expenses	2,917	31,737	31,939	32,296	33,632
LESS:					
OWN-SOURCE INCOME					
Other	11	128	129	128	122
Total own-source revenue	11	128	129	128	122
Net cost of (contribution by) services	(2,906)	(31,609)	(31,810)	(32,168)	(33,510)
Revenue from Government	2,796	29,980	30,333	30,641	31,038
Surplus (Deficit) attributable to the Australian Government	(110)	(1,629)	(1,477)	(1,527)	(2,472)
OTHER COMPREHENSIVE INCOME					
Total comprehensive income (loss) attributable to the Australian Government	(110)	(1,629)	(1,477)	(1,527)	(2,472)
Note: Impact of Net Cash Appropriation Arrangements					
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Comprehensive Income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations.	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations ¹	(110)	(1,629)	(1,477)	(1,527)	(2,472)
Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income	(110)	(1,629)	(1,477)	(1,527)	(2,472)

Prepared on Australian Accounting Standards basis.

¹From 2010-11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of FMA Act agencies were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to Table 3.2.5 Departmental Capital Budget Statement.

Table 3.2.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forw ard estimate 2013-14 \$'000	Forw ard estimate 2014-15 \$'000	Forw ard estimate 2015-16 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	121	316	617	619	701
Trade and other receivables	39,651	38,446	38,183	38,249	33,320
Total financial assets	39,772	38,762	38,800	38,868	34,021
Non-financial assets					
Land and buildings	3,360	2,476	1,662	717	3,505
Property, plant and equipment	237	194	102	389	245
Intangibles	596	1,561	1,150	750	350
Other non-financial assets	415	414	415	415	415
Total non-financial assets	4,608	4,645	3,329	2,271	4,515
Total assets	44,380	43,407	42,129	41,139	38,536
LIABILITIES					
Payables					
Suppliers	1,058	1,058	1,058	1,058	1,058
Total payables	1,058	1,058	1,058	1,058	1,058
Provisions					
Employee provisions	2,961	2,961	2,961	2,961	2,961
Other provisions	2,914	2,894	2,975	3,065	2,482
Total provisions	5,875	5,855	5,936	6,026	5,443
Total liabilities	6,933	6,913	6,994	7,084	6,501
Net assets	37,447	36,494	35,135	34,055	32,035
EQUITY*					
Parent entity interest					
Contributed equity	3,942	4,618	4,736	5,183	5,635
Retained surplus (accumulated deficit)	33,505	31,876	30,399	28,872	26,400
Total parent entity interest	37,447	36,494	35,135	34,055	32,035
Total Equity	37,447	36,494	35,135	34,055	32,035

*'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 2012-13)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2012					
Balance carried forward from previous period	33,505	-	-	3,942	37,447
Adjusted opening balance	33,505	-	-	3,942	37,447
Comprehensive income					
Surplus (deficit) for the period	(1,629)				(1,629)
Total comprehensive income	(1,629)	-	-	-	(1,629)
Transactions with owners					
Distributions to owners					
Other	-	-	-	-	-
Contributions by owners					
Departmental Capital Budget (DCBs)	-	-	-	676	676
Other	-	-	-	-	-
Sub-total transactions with owners	-	-	-	676	676
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2013	31,876	-	-	4,618	36,494
Closing balance attributable to the Australian Government	31,876	-	-	4,618	36,494

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Budgeted Departmental Statement of Cash Flows
(for the period ended 30 June)**

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,796	29,980	30,333	30,641	31,038
Other	6	70	70	70	70
Total cash received	2,802	30,050	30,403	30,711	31,108
Cash used					
Employees	1,628	18,804	19,166	19,720	21,043
Suppliers	1,053	11,049	10,936	10,988	6,554
Total cash used	2,681	29,853	30,102	30,708	27,597
Net cash from (used by) operating activities	121	197	301	3	3,511
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	-	1,667	160	469	4,716
Total cash used	-	1,667	160	469	4,716
Net cash from (used by) investing activities	-	(1,667)	(160)	(469)	(4,716)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	-	1,665	160	468	1,287
Total cash received	-	1,665	160	468	1,287
Cash used					
Total cash used	-	-	-	-	-
Net cash from (used by) financing activities	-	1,665	160	468	1,287
Net increase (decrease) in cash held	121	195	301	2	82
Cash and cash equivalents at the beginning of the reporting period	-	121	316	617	619
Cash and cash equivalents at the end of the reporting period	121	316	617	619	701

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental Capital Budget Statement

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$'000	\$'000	\$'000	\$'000	\$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	-	676	118	447	452
Total new capital appropriations	-	676	118	447	452
Provided for:					
Purchase of non-financial assets	-	676	118	447	452
Total Items	-	676	118	447	452
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB ¹	-	1,665	160	468	1,287
Funded internally from departmental resources ²	-	2	-	1	3,429
TOTAL	-	1,667	160	469	4,716
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	-	1,667	160	469	4,716
Total cash used to acquire assets	-	1,667	160	469	4,716

Prepared on an Australian Accounting Standards basis.

¹ Does not include annual finance lease costs. Include purchase from current and previous years' Departmental Capital Budgets (DCBs).

² Includes the following sources of funding:

- current and prior year Bill 1/3/5 appropriations (excluding amounts from the DCB).
- donations and contributions
- gifts
- internally developed assets
- s31 relevant agency receipts (for FMA agencies only)
- proceeds from the sale of assets

Table 3.2.6: Statement of Asset Movements (2012-13)

	Buildings	Other property, plant and equipment	Computer software and intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2012				
Gross book value	9,105	561	1,294	10,960
Accumulated depreciation/amortisation and impairment	(5,745)	(324)	(698)	(6,767)
Opening net book balance	3,360	237	596	4,193
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase - appropriation equity ¹	88	79	1,500	1,667
By purchase - appropriation ordinary annual services ²	-	-	-	-
By purchase - other	-	-	-	-
Total additions	88	79	1,500	1,667
Other movements				
Depreciation/amortisation expense	(972)	(122)	(535)	(1,629)
Disposals				
From disposal of entities or operations (including restructuring)	-	-	-	-
Other	-	-	-	-
Total other movements	(972)	(122)	(535)	(1,629)
As at 30 June 2013				
Gross book value	9,193	640	2,794	12,627
Accumulated depreciation/amortisation and impairment	(6,717)	(446)	(1,233)	(8,396)
Closing net book balance	2,476	194	1,561	4,231

Prepared on an Australian Accounting Standards basis.

¹ "Appropriation equity" refers to equity injections or Administered Assets and Liabilities appropriations provided through Appropriation Bill (No.2) 2012-13, including CDABs.

² "Appropriation ordinary annual services" refers to funding provided through Appropriation Bill (No.1) 2012-13 for depreciation / amortisation expenses, DCBs or other operational expenses.

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

FWBII has no income and expenses administered on behalf of government. For this reason Table 3.2.7 is not presented.

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

FWBII has no assets and liabilities administered on behalf of government. For this reason Table 3.2.8 is not presented.

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

FWBII has no administered cash flows. For this reason Table 3.2.9 is not presented.

Table 3.2.10: Schedule of Administered Capital Budget

FWBII has no administered capital budget. For this reason Table 3.2.10 is not presented.

Table 3.2.11: Schedule of Asset Movements — Administered

FWBII has no administered assets. For this reason Table 3.2.11 is not presented.

3.2.4 Notes to the financial statements

The budgeted financial statements have been prepared in accordance with the Finance Minister's Orders issued by the Minister for Finance and Deregulation.

The statements have been prepared:

- on an accrual accounting basis
- in compliance with Australian Accounting Standards and Australian Equivalents to International Financial Reporting Standards (AEIFRS) and other authoritative pronouncements of the Australian Accounting Standards Board and the consensus views of the Urgent Issues Group
- having regard to Statements of Accounting Concepts.

Departmental revenue from government

Revenue from government represents the purchase of programs from FWBII by the government.

Departmental own source revenue

Revenue from the sale of goods and services is recognised upon the delivery of the goods and services to the customers.

Departmental expenses – employee benefits

This item represents payments and net increases or decreases in entitlements owed to employees for their services rendered in the financial year.

Departmental expenses - suppliers

This item represents payments to suppliers for goods and services.

Departmental expenses – depreciation and amortisation

Property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to FWBII using the straight-line method of depreciation. Forward estimates of depreciation expense are made using forecasts of net capital acquisitions over the forward years.

Departmental assets – financial assets - cash

Cash includes notes and coins held and deposits at call with a bank or financial institution.

Departmental assets – financial assets - receivables

Receivables represent amounts owing to FWBII for cash reserves held in the Official Public Account and prepayments.

Departmental assets – non-financial assets

These items represent future economic benefits that FWBII will consume in producing outputs.

Property, plant and equipment and intangibles are brought to account at cost, except for purchases costing less than \$50,000 for internally developed computer software, less than \$20,000 for leasehold improvements and less than \$2,000 for all other classes, which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

Following initial recognition at cost property, plant and equipment are carried at fair value less accumulated depreciation. Valuations are conducted with sufficient frequency to ensure that the carrying amount does not differ materially from the assets' fair values at reporting date.

Departmental liabilities – provisions - employees

Provision has been made for FWBII's liability for employee entitlements arising from services rendered by employees to balance date. This liability encompasses wages and salaries that are yet to be paid, annual and long service leave. No provision is made for sick leave.

Employee entitlements payable are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Liabilities expected to be settled within twelve months are measured at the nominal amount.

Departmental liabilities – payables - suppliers

Suppliers and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).