

1 INTRODUCTION

Features

- The 2003-04 Budget is the first year that an accrual basis of presentation has been applied throughout Budget Paper No 2 *Operations of Government Departments*. The change in presentation is a significant development, reflecting the Government's commitment to improvement in financial management, and represents a move in 2003-04 to a Budget presentation that recognises the full cost of activities. The key objective of the Government's financial management reform program is to effect ongoing improvement in the delivery of government services through the introduction of best practice financial management. The inclusion of full accrual budget and financial statements in Budget Paper No 2 for each department, as well as accrual based Output Group revenue and expenditure information, ensures a more comprehensive view of the financial impact of Government decisions.
- Budget Paper No 2 provides detailed financial and non-financial information in support of the *Consolidated Fund Appropriation Bill 2003* and the Government's initiatives outlined in the Treasurer's Budget Speech.
- Information is provided on an individual department basis, on an accrual basis in accordance with Australian Accounting Standard 29 *Financial Reporting by Government Departments*, and includes details of action being taken by each department to implement major Government initiatives such as *Tasmania Together*, the Industry Development Plan, the Fiscal Strategy and Local Government Partnership Agreements.
- This Chapter is intended to assist those reading Budget Paper No 2, by providing information on:
 - the focus and presentation of information in Budget Paper No 2;
 - the current Ministerial and departmental structure;
 - the structure of departmental chapters;
 - expenditure by Output and outlay categories;
 - details of information provided in other Budget Papers; and
 - across department budgetary issues for 2003-04.
- The compilation of comparative data between 2002-03 and 2003-04 has been undertaken to assist the reader in determining the financial impact of activities undertaken by the Government. Comparison of information contained within Budget Paper No 2 with previously published information should be undertaken within the context of the Government's developing Budget policies.
- An additional chapter, Chapter No 19 *Other General Government Sector Entities*, has been included in Budget Paper No 2 for the first time as the whole-of-government Budget reflects the inclusion of information on all entities within the General Government Sector, as defined by the Australian Bureau of Statistics.

OVERVIEW

Budget Paper No 2 is a major source of financial and other information on the operations of departments and entities with regard to the year ahead. It provides information on the major initiatives which are being implemented by the Government to achieve its broad policy objectives, including those in relation to Tasmania *Together*, the Industry Development Plan, the Fiscal Strategy and Local Government Partnership Agreements.

In this Budget Paper, the operations of each government department are detailed in a chapter containing:

- major issues to be faced by the department during 2003-04, including the implementation of new and continuing Government initiatives;
- non-financial information such as the nature of the Outputs provided by the department and the Outcomes to which those Outputs are linked;
- financial information on a whole-of-agency basis; and
- detailed Output Group information (including financial and performance information) in relation to each Output Group of the department.

A new chapter, Chapter No 19 *Other General Government Sector Entities*, has been included to provide information on six statutory authorities that together with the departments make up the General Government Sector.

The financial information provided for each department consists of information on the total resources available to the department, including the sources of revenue, areas of expenditure, grants and subsidies and capital investment projects. Other financial information for each department is provided for Output Groups, including sources of revenue and areas of expenditure. Further details on the financial information provided by departments in Budget Paper No 2 is included in this Chapter. The financial information provided is presented on an accrual basis in accordance with AAS29 *Financial Reporting by Government Departments*.

Under AAS29, financial information is provided through three separate statements – a Statement of Financial Performance, a Statement of Financial Position and a Statement of Cash Flows. These statements are conceptually the same as the Uniform Presentation Framework (UPF) Operating Statement, Balance Sheet and Cash Flow Statement respectively through which whole-of-government information is provided in Budget Paper No 1. The different names for the statements reflect the nomenclature of the Australian Accounting Standards (from which AAS29 is drawn) and the Government Finance Statistics (from which the UPF is drawn). Differences also exist in some accounting treatments in the two sets of standards. A detailed discussion of these differences is provided in *Harmonisation of Government Financial Statistics and Generally Accepted Accounting Principles: Issues Paper, Department of Treasury and Finance, Tasmania and Department of Finance and Administration, March 2003*.

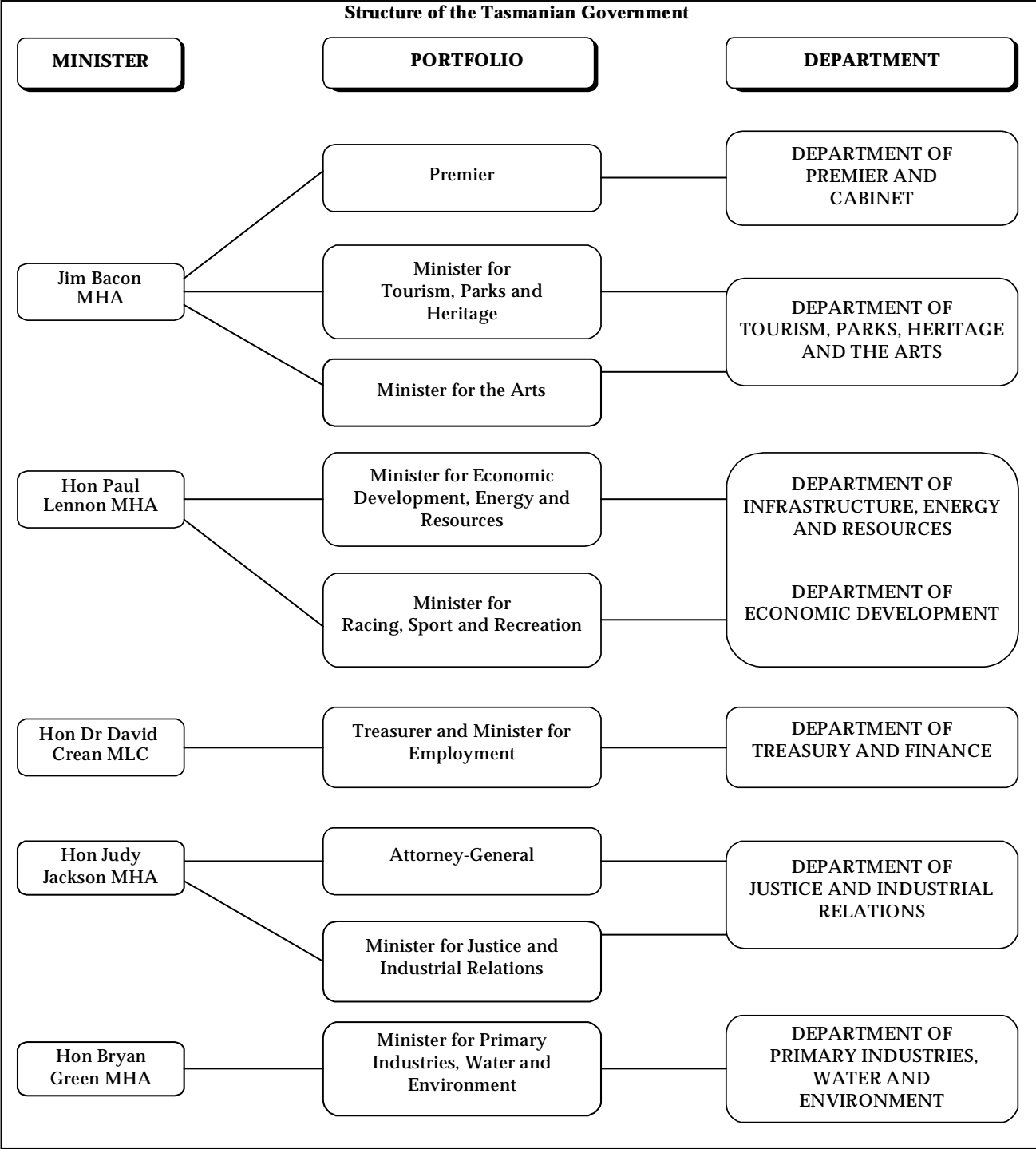
Another valuable source of financial and other information is the annual reports of departments. Annual reports provide information on activities and performance for the financial year just completed. The annual reports of departments must be tabled in Parliament by 30 November each year.

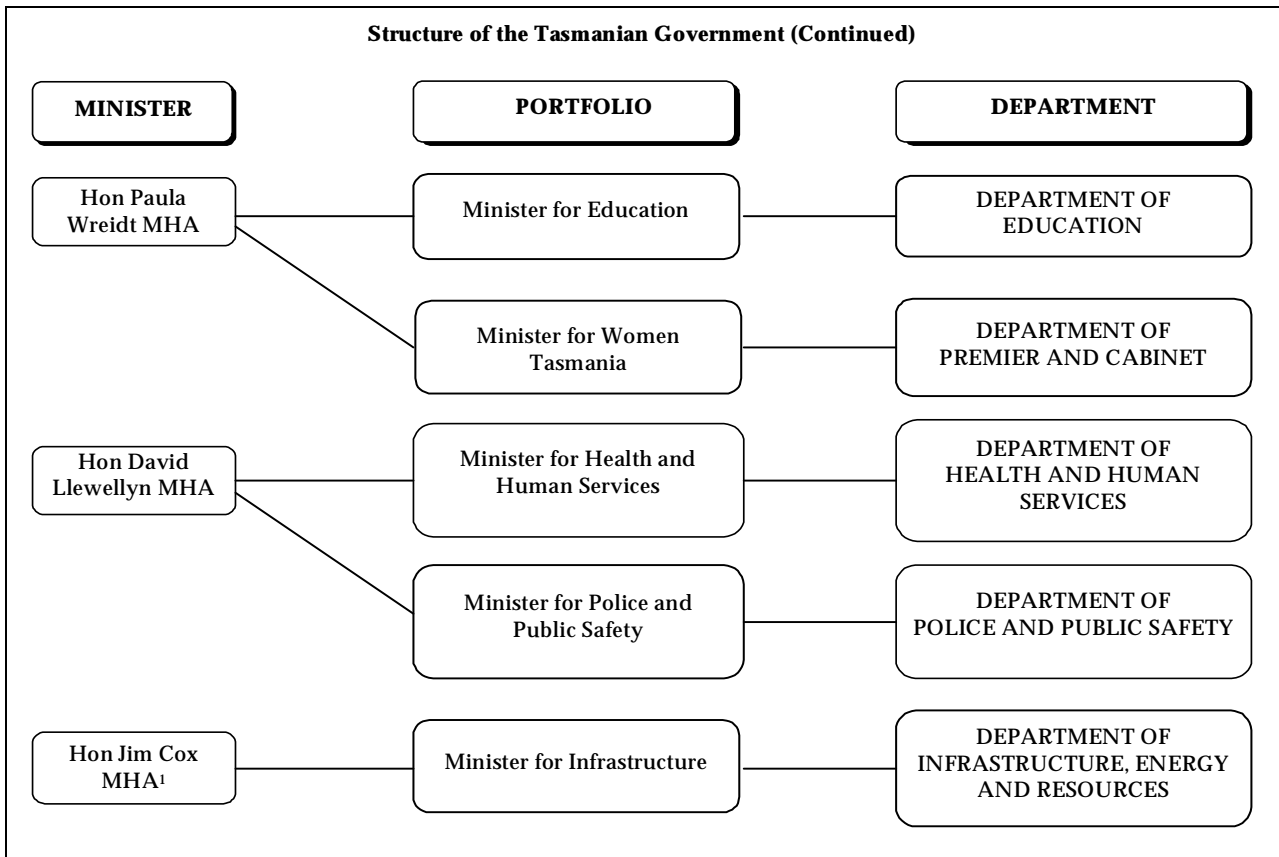
The Budget document *The Tasmanian Government Financial System* is also a useful source of information that assists readers' understanding of the operations of government departments and the introduction of accrual budgeting.

To assist in reading the Budget Papers, a glossary of terms used in the Budget Papers is provided at the end of each of the two volumes of Budget Paper No 2. A Budget Guide also has been prepared to assist readers with understanding and interpreting the new financial presentation in the 2003–04 Budget Papers. In addition, the Guide provides a brief explanation of the Accrual Budgeting Framework and a glossary of key terms used throughout the Budget Papers.

CURRENT MINISTERIAL PORTFOLIO AND DEPARTMENTAL STRUCTURE

The diagram illustrates the current Ministerial portfolio and departmental structure of the Tasmanian Government and reflects the departmental restructure implemented under the *Administrative Arrangements Order 2002*.





Note:

1. The Hon Jim Cox MHA is also the Minister Assisting the Premier on Local Government.

THE STRUCTURE OF DEPARTMENT CHAPTERS

Department Overview

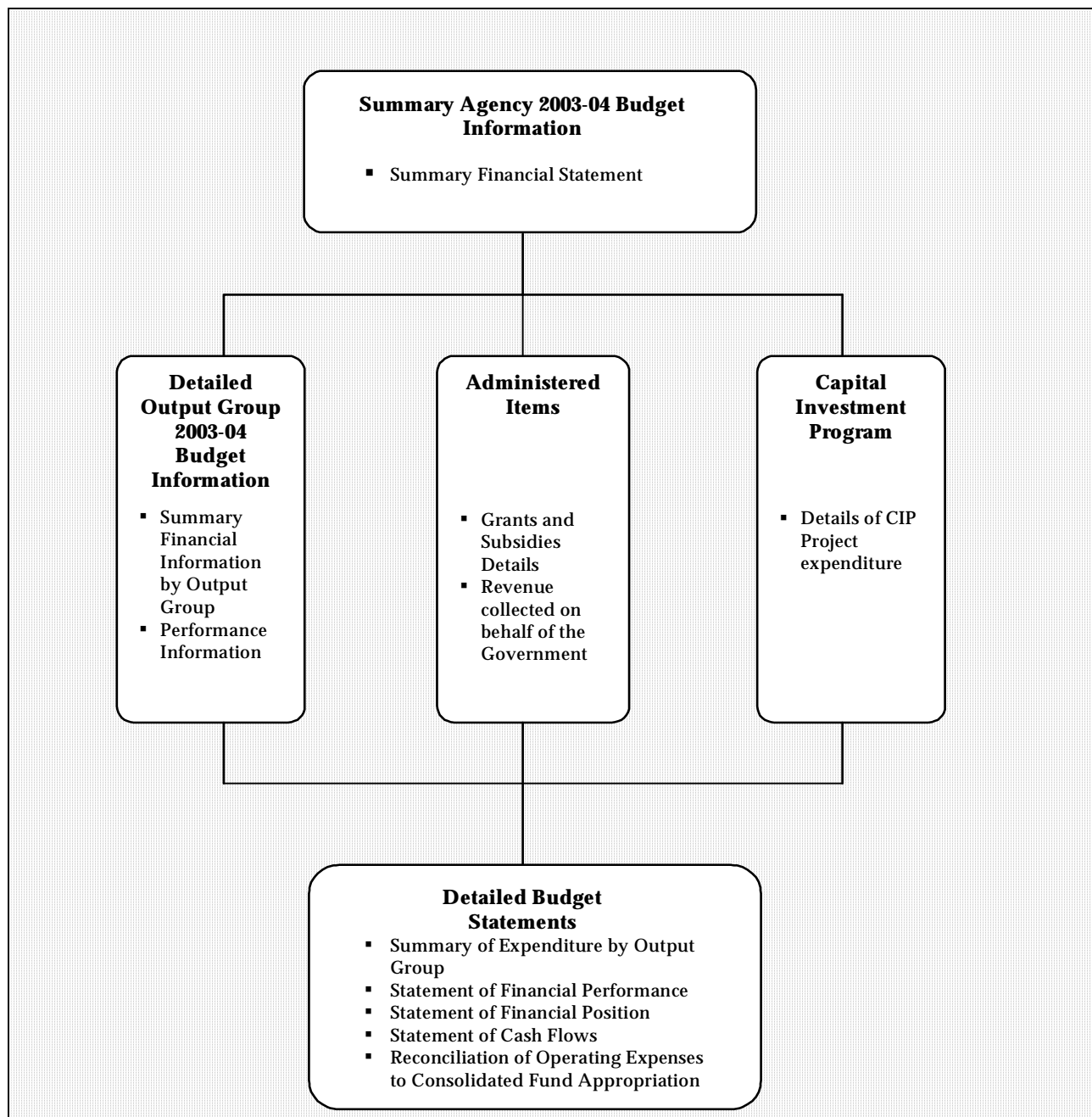
Each departmental chapter commences with a section providing an outline of:

- the Agency itself;
- the Agency's strategic focus and outcomes;
- the key strategies the Agency will implement to achieve its outcomes; and
- the Agency's major initiatives being undertaken in the forthcoming Budget year.

Further information on initiatives and other departmental activities is provided in the section relating to each Output Group.

Agency Information

The format of the agency information provided in Budget Paper No 2 is presented in the following diagram.



As shown in this diagram, the basic structure of the information provided in Budget Paper No 2 for each department begins with a whole-of-department summary. This is then broken down into three sets of information: Output Groups; Administered Items; and Capital Investment Program. The final section comprises a summary of expenditure by Output Group, whole-of-department Budget Statements, and a reconciliation of Operating Expenses to Consolidated Fund Appropriation. This approach is consistent across all individual department chapters in Budget Paper No 2. It should be noted, however, that some departments do not have any Administered Items or Capital Investment Program projects.

Summary Agency 2003-04 Budget Information Section

The Summary Agency 2003-04 Budget Information section provides a Financial Summary for the department. The statement details operating revenue (including the Consolidated Fund appropriation, Commonwealth funding and non-government funding) and operating expenses, culminating in a Net Operating Result. The statement, like all tables within Budget Paper No 2, includes both revenue and expense accrual items. The section also provides a summary of expenses on an Output basis.

The annual appropriation, both recurrent and works and services, is included within Revenue from Government, and funds carried forward from previous years are transferred from the past year's Statement of Financial Position to the current year's operating revenue.

Only that component of the Capital Investment Program that funds maintenance and refurbishment of capital is included within operating expenses. In accordance with the Accrual Budgeting Framework, capital expenditure appears within the Statement of Financial Position.

Net Operating Result

The Net Operating Result of a department is the excess of operating revenue over operating expenses. It excludes expenditure on the acquisition of capital assets but includes non-cash costs such as depreciation and accrued superannuation entitlements. For this reason, it will differ from figures in the Statement of Cash Flows.

The Net Operating Surplus indicates that there are funds available, on an accrual basis, to increase service delivery, increase assets or to decrease liabilities. A deficit indicates that one off expenditure may have occurred, sourced from cash reserves, to meet one off projects or programs, and/or revenues are not sufficient to meet all expenses for the current year.

Detailed Output Group 2003-04 Budget Information Section

The Detailed Output Group 2003-04 Budget Information section provides details on the department's Output Groups. A 'Description' is provided which details the major Outputs in the Group, how they are provided and how the Outputs link to departmental Outcomes. This is followed by details of revenue and expenses for each Output Group and a summary of expense by Output. Details on the 'Major Issues and Initiatives for 2003-04' for each Output Group also can be found in this section.

The Detailed Output Group 2003-04 Budget Information section also provides Output Group related performance information. Throughout Australia, jurisdictions are seeking to improve accountability by defining more clearly the policy objectives of government and measuring performance in achieving these objectives. This development is consistent with an international trend towards results-oriented service delivery.

Performance Information

For Tasmanian government departments, the development and use of Output performance measures and the reporting of benchmarked performance information in Budget Papers and in annual reports forms part of the process of improving accountability within the Output methodology.

The presentation of agency performance information in Budget Paper No 2 is the same as that adopted in 2002-03. The table presentation of the performance information is standard across all Output Groups and agencies and is followed by comments on the performance information. The information covers actual results for 2000-01 and 2001-02 and targets for 2002-03 and 2003-04. The approach focuses on the link

between agency funding and expenditure, and the achievement of desired results and outcomes represented by Government policies, including endorsed Tasmania *Together* benchmarks. Where an agency's Performance Information is linked directly to a Tasmania *Together* benchmark, this is denoted by the inclusion of (TT) in the Performance Information table.

Detailed Budget Statements Section

The Detailed Budget Statements section, which concludes the chapter, comprises a whole-of-department Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash Flows and a reconciliation of Operating Expenses to Consolidated Fund Appropriation. Statements are presented on an accrual basis and differentiate between controlled and administered items of the department in accordance with AAS29 *Financial Reporting by Government Departments*.

Revenue and Expense Categories

Budget Paper No 2 revenue and expense types are based on Budget categories which are consistent with the accrual Uniform Presentation Framework for the presentation of Budget information, agreed by the States, at the Australian Loan Council in March 1997.

The following is a brief description of the major revenue categories appearing in the Summary Financial Information tables for Output Groups within each department chapter in Budget Paper No 2.

Category	Description
Revenue from Government - Annual Appropriation	That amount that may be expended from the Consolidated Fund under the authority of an Act of Parliament and includes the recurrent and works and services appropriation. The appropriation is cash based.
Revenue from Government - Reserved by Law	Recurrent expenses that are incurred where there is a legislative requirement for funding to be provided for specific purposes without the necessity for an annual appropriation. This is also cash based.
Other	Other includes the cash-based carry forward of 2002-03 Consolidated Funding, to 2003-04, in accordance with section 8A(2) of the <i>Public Account Act 1986</i> .
Sales of Goods and Services	Proceeds of the Government's provision of goods and services to individuals, groups or organisations, measured on an accrual basis.
Other Revenue	All other revenue not classified in any of the above categories, measured on an accrual basis.

The following is a brief description of the major expense categories appearing in the Summary Financial Information tables for Output Groups within each department chapter in Budget Paper No 2. All are measured on an accrual basis.

Category	Description
Salaries and Wages	This category includes expenditure on such items as gross wages, salaries and supplements to wages and salaries (not related to superannuation), including allowances and leave payments.

Category	Description
Other Employee Related Expenses	This category includes expenditure on employee expenses such as payroll tax and workers' compensation contributions.
Superannuation	This category includes expenditure on superannuation contributions.
Depreciation and Amortisation	This category includes the expense systematically recognised for the purpose of allocating the depreciable amount of an asset over its useful life.
Rent	Rental expenditure by departments.
Other Accommodation Related Expenses	Includes expenditure on other operating expenses directly related to the occupation of premises, such as fuel and power charges, local government rates, cleaning, security, property insurance and general property services.
Communications	Expenditure incurred for communications such as postage, telephone, facsimile and mobile radio.
Travel and Transport	Expenses related to employee intrastate, interstate or international travel. This category also includes expenditure on transport, including freight expenses, vehicle leases and running expenses such as fuel.
Advertising and Promotion	Expenditure related to advertising in any media, whether for department publicity purposes or statutory advertising.
Consultancies	Includes payment of all fees and costs charged by consultants engaged by a department.
Information Technology	Expenditure related to computers, software, systems development and ongoing information technology support services.
Interest	Includes interest paid in respect of advances in the form of loans.
Other Supplies and Consumables	All other recurrent expenses not classified in any of the above categories.

Grants and Subsidies

Information is provided for each department on its revenue and expenditure relating to Grants and Subsidies. These are payments made to individuals, groups or organisations, are determined by the Government, administered by individual departments and are non-discretionary. Departments do not have flexibility to reallocate these funds for another purpose.

Revenue Collected on Behalf of the Consolidated Fund

Revenue collected on behalf of the Government, comprising fees and charges, can also be found within this section of each department chapter. Fees are associated with the granting of a permit or privilege or the regulation of activity. Charges are imposed for services rendered to clients. Such fees and charges collected on behalf of the Government are, unless otherwise approved by the Treasurer, transferred into the Consolidated Fund. Further information on departmental fees and charges can also be found in Chapter 4 of Budget Paper No 1 *Budget Overview 2003-04*.

It should be noted that, as determined in 2000-01, fees and charges are shown net of any GST collected. GST collected is recorded as a source of funding for the department's GST Administered Payment (classified as GST Revenue).

Concessions

Unlike in previous years, when information concerning concessions provided by the Government to individuals, groups or organisations was included within each departmental chapter, for 2003-04 these details can be found in Chapter 12 *Concessions, Subsidies and Community Service Obligations* of Budget Paper No 1 *Budget Overview 2003-04*.

Capital Investment

Details of a department's major projects for 2003-04 under the Capital Investment Program (CIP) and sources of funds for those projects are separately detailed. The CIP comprises major capital investment projects for all departments and is funded through Works and Services funding from the Consolidated Fund and from non-Consolidated Fund sources of funding. Projects are separated into new and continuing projects. Further information on the CIP can be found in Chapter 6 *State Capital Program* of Budget Paper No 1 *Budget Overview 2003-04*.

Economic and Social Infrastructure Fund

In addition to the Government's ongoing Capital Investment Program, a major Government 2003-04 Budget initiative is the establishment of the Economic and Social Infrastructure Fund (ESIF). Funding from the ESIF for Departmental projects or activities is presented in Chapter 4 *Finance-General* of Budget Paper No 2.

Statement of Financial Position

Presented for each department is a budgeted Statement of Financial Position for both controlled and administered items. The presentation of this statement is in accordance with the principles of Australian Accounting Standards (AAS) and will assist with providing greater comparability between agency budgeting and reporting. The Statement of Financial Position is a financial snap-shot of the agency, taken at the end of each financial year, and includes data on financial assets, on holdings of fixed assets, and on the extent of liabilities such as creditors, borrowings and superannuation.

Statement of Cash Flows

Presented for each department is a budgeted Statement of Cash Flows for both controlled and administered items. The presentation of this statement is in accordance with the Australian Accounting Standards (AAS) and will assist with providing greater comparability between agency budgeting and reporting. This statement requires cash flows to be categorised into operating, investing and financing activities. Operating activities are those which relate to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are those which relate to the acquisition and disposal of assets. Financing activities are those which relate to changes in the financial assets and liabilities of the department.

Other General Government Sector Entities

An additional chapter, Chapter No 19 *Other General Government Sector Entities*, has been included in Budget Paper No 2 for the first time. Chapter 19 provides financial information on entities which are included within the General Government Sector that are not otherwise separately reported in Budget Paper No 2. The inclusion of a Statement of Financial Performance, Statement of Financial Position and Statement of Cash

Flows for these entities ensures that information is provided on all entities within the General Government Sector.

2003-04 Across Department Budget Issues

In relation to 2003-04 department financial information, a number of important issues should be noted:

- unlike in previous years, detailed 2003-04 department financial information is presented on an accrual basis in accordance with AAS29 *Financial Reporting by Government Departments*. In previous years, department financial information has been presented on a cash basis;
- all department 2003-04 financial estimates include additional funding to meet the cost of current wage agreements; and
- on 9 August 2002, the *State Service (Restructuring) Order (No. 2) 2002* was issued by the Lieutenant-Governor under section 11 of the *State Service Act 2000*. The Order detailed a number of departmental changes including the establishment of the new Department of Tourism, Parks, Heritage and the Arts (DTPHA), the renaming of the former Department of State Development to the Department of Economic Development (DED) and the transfer of a number of functions from the Department of Primary Industries, Water and Environment and DED to the new DTPHA. The State Service (Restructuring) Order (No. 2) also provided that the Seniors Bureau be transferred from the Department of Health and Human Services to the Department of Premier and Cabinet. In addition, in October 2002 the Treasurer approved a minor Output restructure which resulted in a number of whole-of-government activities being transferred from the Department of Treasury and Finance to Finance-General. The 2002-03 original Budgets for these departments have been recast to reflect the new department structures.

OTHER BUDGET AND RELATED PAPERS

The Budget Papers aim to assist Parliament in the examination of the State Budget and provide the community with a broad range of information, including information on the performance of the State economy, the Government's revenue sources, the activities of departments, Government Business Enterprises, State-owned Companies and Statutory Authorities. The other Budget Papers are listed below.

Consolidated Fund Appropriation Bill

The Bill is the primary legislative instrument of the Budget. The Appropriation Bill provides authority for the expenditure of the total Recurrent Services and Works and Services expenditure, on a Ministerial portfolio basis, for each department for the 2003-04 Budget year.

The 2003-04 Appropriation will remain on a cash basis, while expenses will be reported on an accrual basis in accordance with the Government's continued financial management reform. The inclusion of non-cash items such as depreciation in expense figures will affect Net Operating Results, and may in some cases result in a deficit due in the main to timing differences.

Second Appropriation Bill

A Second Appropriation Bill for 2002-03 will be tabled shortly after the 2003-04 Budget. The Bill provides authority for expenditure of \$78.0 million into the new Economic and Social Infrastructure Fund (ESIF), an account established within the Special Deposit and Trust Fund. The ESIF will provide funding for major economic projects and the implementation of social initiatives. In 2002-03, approximately \$25.0 million will be expended from the ESIF for the purposes of purchasing the optic fibre cable that was installed with the Duke Energy natural gas pipeline.

Budget Speech

This document provides the full text of the Treasurer's Second Reading Speech for the *Consolidated Fund Appropriation Bill 2003* which is delivered in the House of Assembly. It explains the Government's economic and financial strategy and outlines key Budget initiatives for the 2003-04 Budget year.

Budget Paper No 1 *Budget Overview 2003-04*

This document explains the social, economic and financial context in which the Budget has been developed. It provides a detailed explanation of the major strategies of the Government for the coming year. It also provides:

- an outline of the major strategies and initiatives within the Budget;
- information on current economic conditions and outlook;
- a Budget summary;
- details of budgeted revenues and expenses for 2002-03 and 2003-04;
- information on State taxation;
- details of the State Capital Program, including the Capital Investment Program;
- information on assets and liabilities;
- forward estimate projections for each of the next three financial years;
- details of Commonwealth-State financial relations and State-Local Government relations;
- information on the operations of Government Business Enterprises (GBEs), State-owned Companies and Statutory Authorities;
- information on concessions provided by the Government; and
- details of budgeted Consolidated Fund receipts and expenditure for 2002-03 and 2003-04.

Budget Summary

This document provides a brief summary of the major elements of the 2003-04 Budget.

Budget Guide

This document has been prepared to assist readers with understanding and interpreting the new financial reforms in the 2003–04 Budget Papers. In addition, the Guide provides a brief explanation of the Accrual Budgeting Framework and a glossary of key terms used throughout the Budget Papers.

The Tasmanian Government Financial System

This document provides details of government financial accounting systems, information about Budget development and monitoring processes and details of other related sources of information.

Other documents distributed with the Budget Papers

A variety of other documents will be distributed with the Budget Papers. These documents generally provide detailed information on major Government initiatives to assist in understanding the information provided in the Budget Papers.