

## Email Bulletin No 5

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### A Note from the Director, Budget Management Branch

Welcome to another new year and the first Accrual Budget and Financial Management (ABFM) Email Bulletin for 2001. This short edition is to emphasise some important dates over the coming few months.

The Accrual Budget Preparation Guidelines and the Accrual Budgeting Workbook were provided to agencies at the Agency Reference Group (ARG) meeting held on Tuesday, 12 December 2000. Brian Smith from the Department of Education provided a detailed and practical presentation on how to use the Workbook to prepare agency accrual budget information.

The Workbook is an excellent and simple package with functionality to enable agencies to prepare accrual budget information in an efficient manner.

As mentioned at the previous ARG meeting, the Project Team is available to provide support to agencies that require assistance with their accrual budget exercise.

The preparation of agency accrual budget information and the preparation of a consolidated accrual Budget will represent the conclusion of Phase 1 of the Accrual Budget and Financial Management Reform Project.

This will be a major first step in the implementation of accrual budgeting and a significant lead into Phase 2.

Stephen Gregory  
Director, Budget Management Branch

### Support Available

To successfully prepare a consolidated accrual budget for the General Government sector, all agencies need to ensure that accrual budget information supplied to Treasury is as accurate as possible.

The ABFM Project Team is available to provide support and arrange training and assistance to any agency experiencing difficulty in preparing the accrual budget information.

Key tasks to successfully complete the accrual budget exercise include:

- installing the Accrual Budgeting Workbook;
- running the new BMS report at the appropriate date;
- checking for unusual amounts when loading in cash information, for example, an amount appearing in Intangible Non-Current Assets;
- entering Statement of Financial Position opening balances;
- expensing capital using the Workbook journal system;

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*The ABFM Email Bulletin is a publication designed to provide agency budget and finance officers, and those involved with corporate and strategic government planning, with information on the implementation of an accrual Budget framework for the Tasmanian General Government sector.*

- issues with the mapping of Administered Items;
- completing the variation proforma document; and
- sending the accrual information to Treasury.

While the Accrual Budgeting Workbook has been rigorously tested there may be some one off problems that arise. It is important for agencies to resolve or inform Treasury of any problems that arise in order to ensure all agency accrual budget information is completed by the due date.

The contact details for the Project Team are on the front page of the Bulletin. Please feel free to email or call the Project Team if you have any queries.

## The Accrual Budget Preparation Guidelines and Workbook

The Accrual Budget Preparation Guidelines and Workbook have been developed specifically to assist agencies in preparing accrual Budgets for consolidation in the 2001-02 Budget Papers.

As already mentioned, the Guidelines and Workbook were provided to agencies at the Agency Reference Group meeting held in December 2000. If you require additional copies of the Guidelines or Workbook, please contact a member of the Project Team.

## Key Dates

### BMS CASH INFORMATION:

As mentioned in the Accrual Budget Preparation Guidelines, agencies are to prepare their **2001-02** accrual budget information based on approved 2001-02 cash forward estimates as at **28 February 2001**.

Agency **2000-01** accrual budget information is to be based on the 2000-01 **original approved cash**

**Budget.** The new Budget Management System (BMS) report developed specifically for accrual budgeting purposes automatically selects this parameter.

### DUE DATE:

**15 March 2001** is the final date for the submission of agency accrual budget information to Treasury. This will enable sufficient time for Treasury to consolidate the information into a consolidated accrual Budget for publishing in Budget Paper No 1 in May.

If there are any concerns in meeting this deadline, please contact a member of the ABFM Project Team as soon as possible.

Please contact a member of the Project Team if you have any queries with regard to running the BMS report.

As a reminder, the Accrual Budgeting Workbook has a built-in function to email your agency accrual budget information to Treasury.

## Consolidation Process and Procedures

Following the submission of agency accrual Budgets by 15 March 2001, Treasury will undertake a process of consolidating the information into an accrual Budget for the General Government sector by 7 April 2001.

During this time, Treasury will:

- review the accrual budget information for reasonableness;
- perform inter-agency elimination entries;
- prepare the consolidated accrual Budgets for 2000-01 and 2001-02; and
- prepare notes to the consolidated accrual Budgets.

Information for publishing in Budget Paper No 1 will be presented to the Treasurer for approval in mid April 2001.

In accordance with the phased implementation of accrual budget and

financial management reforms, individual agency accrual budget information will not be separately published in the Budget Paper No 2 in 2001-02.

For the 2002-03 Budget, individual agency accrual budget information will be provided to Budget Committee. Subject to the Treasurer's approval, individual agency accrual budget information will be published in Budget Paper No 2 in 2003-04.

## An Insight into Other Jurisdictions – Western Australia

All Australian States and Territories are in the process of moving or have moved to an accrual budgeting environment. To this regard, the Bulletin will be providing some topical issues and/or descriptions of accrual budgeting reforms implemented in other jurisdictions. Tasmania will evaluate these issues during the development of the accrual budget and financial management framework for the Tasmanian General Government sector.

Western Australia (WA) has made significant progress towards implementing an accrual, Outcomes/Outputs based budgeting framework. Information on agency Outputs was reported for the first time in WA's 1997-98 Budget Papers and in the following year WA produced accrual budget statements at an agency and whole of Government level. WA has adopted the Australian Bureau of Statistics accrual Government Finance Statistics framework (Accrual Uniform Presentation Framework) as its model for presenting whole of Government accrual information.

On 7 December 2000, WA's Financial Administration and Audit Act received assent for amendments to introduce accrual appropriations and a capital user charge (CUC), to take effect for the 2001-02 Budget. Accrual appropriations and a CUC are noted as the final phases of WA's accrual

Output based financial management framework.

### **Appropriation**

WA will be introducing three types of appropriation: purchase of Outputs; capital contributions; and administered grants, subsidies and transfer payments. Appropriations are to be at an agency level rather than at an Output level.

In accordance with their accrual appropriation model, appropriations for the purchase of Outputs will comprise a component to meet immediate cash needs of agencies and an amount to be set aside in a suspense account at Treasury to meet commitments as they arise, including depreciation (for asset replacement), leave liability and superannuation.

### **Capital User Charge (CUC)**

WA defines the CUC as a charge on capital employed by agencies with the aim of creating incentives for better asset management. It is based on the premise that the opportunity cost of capital is the return that government could achieve were it to direct its capital towards the next best investment or debt retirement. A capital charge of some form has been adopted in Victoria, the Australian Capital Territory and Queensland.

WA has stated that the CUC will only apply to agencies that receive appropriations direct from the Consolidated Fund. The CUC will be calculated on an average net asset position of agencies for each year in accordance with the Statement of Financial Position. It is expected that the CUC rate will be 8 per cent. Certain assets will be exempt from the CUC including land and buildings with a heritage component, and administered assets.

### **Revenue Recognition**

WA is currently considering the adoption of a revenue recognition regime for agencies based on Output acquittal. Currently agencies recognise appropriation revenue when it is received through a fortnightly drawdown process.

WA has produced some excellent reference material regarding accrual

budgeting in a government context and Output based management. Such material includes *A New Appropriation Regime for the Western Australian Public Sector (1999)* and the Government of Western Australia's *Treasury News* (which is a regularly produced newsletter). These documents are available on the Treasury's Internet site at <<[www.treasury.wa.gov.au](http://www.treasury.wa.gov.au)>>.