



Accrual Budget & Financial Management

Email Bulletin No 6 March 2001

This Issue..

Project developments and submitting your accrual budget information to Treasury:

- Accrual budget preparation issues.
- Revised Project Business Plan and development of an Outcome Realisation Plan.
- Development of a contemporary financial management framework.
- Insight into other jurisdictions – Budget Measures.

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<<<http://www.treasury.tas.gov.au>>>
and select the 'Accrual Budget Implementation' link.

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A Note from the Director, Budget Management Branch

Welcome to the sixth edition of the ABFM Email Bulletin.

The 2001-02 Budget development process is heating up with the completion of Pre-Budget reports and meetings between Ministers and Budget Committee regarding agency Budgets having started on 6 March 2001.

In the midst of the work being undertaken to develop the 2001-02 Budget, accrual budget and financial management reforms continue and agencies need to submit accrual budget information to Treasury by 15 March 2001.

The Project Team is currently assisting agencies with the preparation of accrual budget information and has addressed as number technical difficulties.

Current feedback from agencies regarding the Accrual Budgeting Workbook has been positive. A few minor issues with the Workbook have been identified by agencies and these have been addressed by the Project Team.

A review of the Workbook is planned for April/May 2001 to assess its suitability for recording accrual budget information for the 2002-03 Budget. Agencies will be asked to provide feedback on the functionality of the Workbook and suggestions for improvement.

The ABFM Project Team has recently acquired two new members: Frances Hall as a Principle Budget Analyst; and Amanda Wilson as an Assistant

Research Officer. The addition of Frances and Amanda is welcomed, given the issues to be progressed in Phase 2.

Stephen Gregory
Director, Budget Management Branch

Accrual Budget Preparation Issues

By now all agencies should be well advanced in the preparation of accrual budget information for submission to Treasury by **15 March 2001**.

Changes to agency cash budgets

As previously noted, 2001-02 accrual budget information is to be prepared based on approved 2001-02 Forward Estimates as at **28 February 2001**. However, agency 2001-02 Consolidated Fund budgets will not be finalised until the Cabinet meeting to be held on 10 April 2001.

From 28 February to 10 April, Treasury will monitor changes to agency 2001-02 Consolidated Fund budgets to identify material variations that may need to be included in agency accrual budgets.

In most cases, a change to an agency's 2001-02 Consolidated Fund budget will require the agency to re-run the BMS report into the Accrual Budgeting Workbook (to reflect the new 2001-02 appropriation etc) and to re-send the accrual data to Treasury. However, Treasury is not asking agencies to re-do their accruals in these circumstances unless the change is considered material (as defined by Australian Accounting Standards).

The Project Team and Budget Analysts

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.



will liaise with agencies with regard to managing Budget variations between 28 February and 10 April 2001.

Sending accrual budget information to Treasury

A problem has been identified with the 'Send to Treasury' function in the Accrual Budgeting Workbook when using Lotus Notes to send the file to Treasury.

Before 15 March 2001, Ben Daley will contact agencies currently using Lotus Notes to discuss the solution to the problem.

The ABFM Project Team – New Staff Members

Frances Hall commenced on 26 February 2001 as a Principle Budget Analyst on the ABFM Project Team.

Frances has spent the past five years as financial accountant at the Department of Justice and Industrial Relations and, previous to this, was recruited by Treasury under the graduate program. Frances will be involved with developing accrual appropriation concepts and procedures, the review of business support systems and will be representing the Project Team on various inter-agency working groups.

Frances can be contacted on 6233 2255 or by email: <fran.hall@treasury.tas.gov.au>.

Amanda Wilson also commenced as a member of the ABFM Project Team on 19 February 2001. Amanda is an Assistant Research Officer who will be with the Project through Phase 2. Amanda will be undertaking research on the approach of other jurisdictions on various accrual budgeting issues.

Amanda can be contacted on 6233 6423 or by email: <amanda.wilson@treasury.tas.gov.au>.

Project Documentation

Business Plan

The planning process for Phase 2 of accrual budget and financial management reform has begun and key milestones for Phase 2 have been approved by the Project Steering Committee.

Phase 2 represents the development of a framework for accrual budgeting, including appropriation concepts, Budget management processes and procedures, business support system revisions and education and training programs.

The Project Business Plan has been revised to incorporate Phase 2 milestones and will be provided on the ABFM Internet site shortly.

Outcome Realisation Plan

An Outcome Realisation Plan (ORP) is a project management tool to ensure:

- a project is managed in accordance with stated Outcomes;
- that the success of a project's Outputs are assessed and corrective action performed if required; and
- the planned project Outcomes are achieved prior to formal project closure.

An ORP is currently being prepared for the ABFM Project and will also be made available on the ABFM Internet site when approved by the Project Steering Committee.

The ORP will outline the current position, desired or new position and the change process for key areas of accrual budget and financial management reform which are being undertaken as part of the ABFM Project.

ABFM Framework

Treasury is in the process of developing a document which describes the elements of a contemporary financial management framework incorporating an accrual budgeting component. This document will be used to more clearly define the elements of accrual budgeting and financial management reform and as a basis for providing information to Project stakeholders.

Following the initial development of the framework document by the Project

Team, it will be provided to the Project Steering Committee, which includes agency representatives, for review. It will then be submitted to the Treasurer for approval.

The framework document will made available on the ABFM Internet site when approved.

An Insight into Other Jurisdictions – Budget Measures

The continuing trend in Australian jurisdictions to adopt more contemporary methods of budgeting has resulted in a significant refocus and redesign of Budget Papers.

Apart from the Northern Territory, the current flavour of State budget papers reflects a substantial move towards presenting accrual information on an Output/Outcome basis. Many States have presented accrual budget information in the last two or more Budgets.

Traditionally, State governments have used a cash basis to present their budget outcome. In 1997, the Australian Loan Council agreed to a Uniform Presentation Framework for presenting State budgets, providing increased comparability across jurisdictions (amongst other things).

States that have adopted some form of accrual budgeting are now presenting macro budget information either on the new accrual Uniform Presentation Framework (UPF) and/or in accordance with Generally Accepted Accounting Principles (AAS31). All States, including Tasmania, have agreed to present budget information on the new accrual UPF basis by the 2002-03 Budget.

Table 1 on the following page presents information concerning accrual budget measures adopted by Australian jurisdictions.

It should be noted that whilst most States present both accrual UPF and Australian Accounting Standard (AAS31) information, they generally

focus on only one of these methods as a headline budget measure.

As part of the implementation of accrual budgeting, a detailed review will be undertaken of the accrual budget measures adopted in other jurisdictions.

ABFM Internet Site

A link will shortly be provided to the recently released document by the Public Sector Centre of Excellence entitled *Beyond Bean Counting 2000 – A Benchmark of Effective Financial Management in the Australian Public Sector*.

This document examines the progress of financial management practice across the Australian Public Sector in the three years since the 1997 study *Beyond Bean Counting* was conducted by the Commonwealth Management Advisory Board.

Beyond Bean Counting 2000 illustrates the considerable change over the past three years in most Australian jurisdictions in areas of budget and accounting methodology.

Beyond Bean Counting 2000 is currently available on the CPA Internet site at: <www.cpaonline.com.au> by selecting the 'Information Centre' link followed by the 'Public Sector' link.

The following documents are now available on the ABFM Internet site:

- the Accrual Budget Preparation Guidelines;
- the fifth edition of the ABFM Email Bulletin; and
- the outcomes of the 22 February 2001 meeting of the ABFM Project Steering Committee.

The following documents will soon be available on the ABFM Internet site:

- Version 4.0 of the ABFM Business Plan; and
- this edition of the ABFM Email Bulletin.

Table 1: 2000-01 Macro Budget Measures

Jurisdiction	First Accrual Budget	Budget Measure	Standard
Victoria	1998-99	Operating Result	AAS31
Western Australia	1998-99	Operating Result	Accrual UPF***
South Australia	1998-99	Underlying surplus/deficit	Cash UPF
New South Wales	1998-99	Fiscal Balance*	Accrual UPF
Queensland	1999-00	Operating Result	Accrual UPF
Australian Capital Territory	1996-97	Operating Result	AAS31
Commonwealth	1999-00	Fiscal Balance* Underlying cash balance**	Accrual UPF Accrual UPF
Northern Territory	n/a	Increase/decrease in Net Debt	n/a
Tasmania	n/a	Net Financing Requirement	n/a

* Fiscal Balance (or Net Lending) equals the Operating Result less total acquisition of non-financial assets.

** The Underlying cash balance is derived from the Statement of Cash Flows.

*** In 1997, all jurisdictions agreed to adopted the uniform presentation framework (UPF) for the development of cash based Government Financial estimates (GFE), as agreed to by the Australian Loan Council. In December 1999, there was agreement to adopt an accrual based UPF by the 2002-03 Budget.

You are encouraged to visit the ABFM Internet site on a regular basis. The address for the site is shown on the front page of the Bulletin. If there is any additional information you would like available on this site or if you have any suggestions for improving the site, please contact a member of the ABFM Project Team.

Email Bulletin Distribution

The ABFM Email Bulletin is produced on a regular basis and distributed widely throughout agencies.

Please contact Ben Daley on 6233 2413 or by email: <ben.daley@treasury.tas.gov.au> for updates to the Bulletin distribution list.