



Accrual Budget & Financial Management

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Since the last edition of this Bulletin, two major milestones have been achieved:

- approval of the accrual budgeting framework by the Treasurer, for implementation in the 2003-04 Budget and beyond; and
- consolidation of agency accrual estimates and presentation of the whole-of-government accrual Budget in Budget Paper No 1.

Phase 3 (2003-04 Budget) has now commenced, and will involve implementation of the accrual budgeting framework. Major tasks associated with implementation include:

- changes to the Budget Management System (BMS) to develop the accrual Budget;
- revised Budget management guidelines;
- development of an education and training program; and
- an extensive communication program for all key stakeholders.

Key dates for Phase 3 are outlined in this Bulletin.

An Agency Reference Group meeting will be held on 24 September 2002 to provide agencies with information regarding the accrual budgeting framework and requirements for the 2003-04 Budget development process. Further details appear later in this Bulletin.

Phase 2 - Complete

Phase 2 of the ABFM Project has been completed with:

- preparation of 2002-03 agency accrual Budgets and presentation to Budget Committee;
- preparation of the 2002-03 consolidated accrual Budget and presentation in Budget Paper No 1 *Budget Overview*;
- development of the accrual budgeting framework and approval by the Treasurer for implementation in the 2003-04 Budget and beyond; and
- completion of a general education and training program in accrual budgeting and financial management.

In Phase 2, inter-agency working groups were established to contribute to the development of the accrual budgeting framework, addressing:

- Budget Paper No 1 presentation;
- Budget Paper No 2 presentation;
- Budget management; and
- appropriations.

Inter-agency working groups were also established to:

- review the Accrual Budgeting Workbook (ABW) for the preparation of 2002-03 agency accrual Budgets; and
- develop an education and training program for accrual budgeting and financial management.

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 Budgeting framework for the Tasmanian General Government Sector.

The contribution from all those who participated on working groups is gratefully acknowledged.

Working groups proved to be a useful mechanism in Phase 2 for Treasury and agency involvement.

Working groups will continue to be used in Phase 3 to assist with the implementation of the accrual budgeting framework.



2002-03 Consolidated Accrual Estimates

Consolidated accrual estimates for the General Government sector were presented in Budget Paper No 1 for the first time in 2001-02, based on Australian Accounting Standards (AAS).

In 2002-03, consolidated accrual estimates were presented in Budget Paper No 1 (Chapter 11) in accordance with the accrual Uniform Presentation Framework (UPF). Prior to 2002-03, consolidated UPF estimates were presented on a cash basis.

With the move by UPF from cash to accrual, consolidated accrual estimates prepared in accordance with AAS principles are no longer presented in Budget Paper No 1.

Consolidated accrual estimates have been prepared from agency accrual Budget information submitted to Treasury through the ABW.

The accrual estimates for 2002-03 reported an estimated Fiscal Balance of \$67 million for the General Government sector.



Accrual Budgeting Framework

In August 2002, the Treasurer approved the accrual budgeting framework for implementation in the 2003-04 Budget and beyond.

The framework consists of:

- development and management of the Budget in accordance with headline Budget measures based on the Uniform Presentation Framework (UPF);
- presentation of the Consolidated Budget in Budget Paper No 1 *Budget Overview*, in accordance with the UPF;
- presentation of agency Budgets in Budget Paper No 2 *Operations of Government Departments*, in accordance with the principles of Australian Accounting Standards; and
- retention of cash appropriations for an interim period.

The full details of the Accrual Budgeting Framework are available on the Accrual Budgeting Internet Site. A summary of the framework is provided in this Bulletin.

Uniform Presentation Framework

The framework is based on the Uniform Presentation Framework (UPF). UPF provides the basis to present Budget and financial information on a uniform basis with other jurisdictions.

The format of the UPF is based on the reporting standards of the Australian Bureau of Statistics (ABS) Government Financial Statistics (GFS) framework.

Accrual Budget Management

The development and management of the Budget is driven by headline Budget measures contained in the Government's Fiscal Strategy.

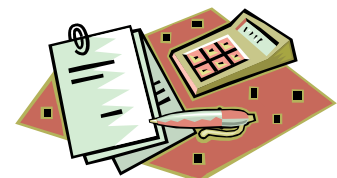
Historically, the headline measure has been based on the balance of the Consolidated Fund (Consolidated Fund Surplus). The focus of Budget management has therefore been on the Consolidated Fund.

In September 2001, the Treasurer approved a conceptual accrual budgeting framework which included the following Headline Budget measures:

- Fiscal Balance;
- Net Operating Result; and
- Net Debt.

The headline Budget measures provide a broader focus on total resources with a continued emphasis on the management of assets and liabilities, in particular Net Debt.

For the 2003-04 Budget and beyond, the focus of Budget development and management will be on achieving fiscal strategy targets, in particular the elimination of Net Debt by 30 June 2008.



Budget Presentation in Budget Paper No 1

Budget presentation in Budget Paper No 1 will include UPF statements and will be revised to reflect a focus on the new headline Budget measures.

An estimated UPF Operating Statement, Balance Sheet and Cashflow Statement will be presented. The Budget estimate, Budget Outcome, forward estimates and supporting information will be based on the UPF statements.

Information on Consolidated Fund appropriations will also be presented as supplementary information.

Agency Budget Presentation in Budget Paper No 2



Agency Financial Summary Information

Summary financial information will be presented in the form of:

- a summary of the agency Statement of Financial Performance; and
- an Output Group Summary Expense table.

The summary Statement of Financial Performance will provide an agency's estimated operating position for the prior year and the current year, separated into controlled and administered items.

This information will replace the existing "Funding of Outputs" and "Expenditure by Outlay" tables.

The Output Group Summary Expense table is a replacement for two tables currently presented in agency chapters:

- Application of Funds; and
- Summary of Outputs.

The new table includes comparative Budget estimates for each Output.

Output Group Information

A single table will be presented for each Output Group which presents revenues, expenses (by outlay) and expenses by Output. This table replaces the existing Outputs to be Provided, Funding of Outputs and Expenditure by Outlay tables.

Administered Items

A single table will be presented for Administered Items. The table will include a summarised Administered Statement of Financial Performance.

Detailed Budget Statements

Detailed Budget statements (Statement of Financial Performance, Statement of

Financial Position and Statement of Cash Flows) will be presented at the conclusion of each agency chapter.



Appropriations

The conceptual framework approved by the Treasurer in September 2001 included the introduction of accrual appropriations, subject to further consideration.

The introduction of accrual appropriations was considered further in developing the detailed accrual budgeting framework.

It was noted that other jurisdictions introduced accrual appropriations as part of reforms to a wider budgeting and financial management framework, supported by major revisions to financial management legislation.

Accrual appropriations fundamentally change the nature of the relationship between government and agencies.

After considering the introduction of accrual appropriations, it was concluded that:

- substantial changes to the current model, including changes to financial management legislation, would be required to support accrual appropriations; and
- in line with the approach adopted by other jurisdictions, Tasmania should introduce accrual appropriations after it has established an appropriate framework to support accrual Budget presentation.

This approach will provide a basis for introducing accrual appropriations at a future date (with revised financial management legislation).

This approach is consistent with the approach adopted by other jurisdictions eg Western Australia, which introduced accrual budget presentation in the first instance and adopted accrual appropriations at a later date, in

conjunction with substantial revisions to financial management legislation.

Phase 3

Phase 3 of the Accrual Budget and Financial Management (ABFM) Project will focus on the implementation of the accrual budgeting framework.

The deliverables in Phase 3 are:

- implementation of enhancements to business support systems to support the accrual budgeting framework;
- implementation of revised TFRS mandatory data requirements;
- implementation of revised Budget classifications for administered and controlled items;
- development of accrual Budget development and management guidelines;
- changes to statutory reporting of the Budget position and minor amendments to financial management legislation;
- implementation of an education and training program in financial management; and
- an extensive communication program to all key stakeholders.

Responsible Officers

Phase 3 will require extensive involvement from staff within the Budget Management Branch (BMB) and the Government Finance and Accounting Branch (GFAB) within Treasury, as well as agency Budget and Finance officers.

Ian Pitchford, Assistant Director in BMB, will be responsible for the implementation of:

- enhancements to business support systems to support the accrual budgeting framework;
- revised Budget classifications for administered and controlled items; and
- development of accrual Budget development and management guidelines.

Ian has been placed off-line to his normal Budget duties until June 2003.

Debbie Sadler, Assistant Director in GFAB, will be responsible for the implementation of:

- revised TFRS mandatory data requirements;
- changes to statutory reporting of the Budget position and amendments to financial management legislation; and
- implementation of an education and training program in financial management.

Key Dates

Following are key dates for Phase 3.

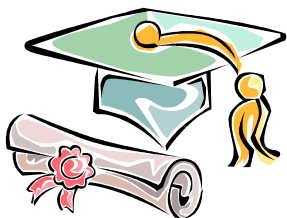
1 August 2002 - 30 November 2002 – Education and training program for Budget Analysts and agencies.

30 November 2002 – Revised Budget management guidelines issued to agencies.

30 November 2002 – Changes to BMFRS complete.

31 January 2003 – Agency 2003-04 and out year accrual Budgets entered into BMFRS.

1 March 2003 - 31 May 2003 – Communication program to all key stakeholders.



Education and Training

In Phase 2, an education program for stakeholders was conducted to increase awareness and competency in accrual budgeting and financial management.

In Phase 3, an education and training program is again proposed, aimed at supporting the accrual budgeting framework.

The program will be a continuation of the training program delivered in Phase 2 and will be developed and coordinated by an inter-agency working group. The working group will address

the specific training needs of each stakeholder group.

It is proposed to conduct a survey of agencies to identify training needs as part of the development of a longer term education and training program.

Contact Officers

A number of staff movements have occurred since the last Bulletin was issued.

Eleanor Patterson has joined the ABFM Project Team. Eleanor, previously from the Department of Health and Human Services, joined us as a Principal Budget Analyst to replace Frances Hall, who moved to the Government Finance and Accounting Branch within Treasury. Eleanor will be involved with changes to BMFRS and the development of accrual budget management guidelines.

Ben Daley has moved to a position in the Commercialisation and Financing Branch of Treasury. Ben's contribution to the Project over the last two years is gratefully acknowledged.

Rebecca Richardson is a new Treasury Cadet assigned to the Project Team to provide assistance with Project Output delivery.

Agency Reference Group Meeting

An Agency Reference Group meeting is planned for Tuesday 24 September 2002. An agenda and details of the time and location will be forwarded to ARG members shortly.

The meeting will provide:

- details of the Accrual Budgeting Framework;
- requirements for the 2003-04 Budget development process;
- an overview of changes to BMFRS; and
- a discussion on implementation issues.

The meeting will also provide an opportunity for agencies to provide feedback on the proposed changes and the implementation process.

Please ensure that all relevant officers from your agency attend this important meeting.

It is proposed to hold further ARG meetings on a monthly basis leading up to the publication of the 2003-04 Budget Papers.