



Accrual Budget & Financial Management

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This Issue..

- Accrual Budgeting Framework
- Agency Reference Group meeting
- Pre-Budget Report Requirements
- Outputs Methodology review

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A Note from the Director, Budget Management Branch

Welcome to the ninth edition of the ABFM Email Bulletin.

The accrual budgeting framework was finalized at a conceptual level in September 2001 and addresses proposed changes to Budget presentation and appropriation processes.

This represents an important milestone in the implementation of accrual budgeting and provides the direction to develop detailed revisions to Budget Papers, appropriation processes and systems for implementation in the 2003-04 Budget.

A detailed accrual budgeting framework will be developed and submitted to the Treasurer in March 2002. Over the next six months, Treasury will, in conjunction with agencies, review systems and processes to assess their capacity to accommodate the full implementation of accrual budgeting.

An Agency Reference Group meeting was held on 18 October 2001 to provide details of the conceptual framework and review the actions and tasks to progress the development of the framework for implementation by the 2003-04 Budget.

As mentioned in our previous Bulletin, the inter-agency working group, chaired by Brian Smith of the Department of Justice and Industrial Relations, was reconvened to review the Accrual Budgeting Workbook for the 2002-03 Budget.

The Workbook has been enhanced, following the review and will be used to:

- generate preliminary agency accrual Budgets to be submitted this year with pre-Budget report information in December 2001; and
- prepare agency accrual Budgets for consolidation into the whole of government accrual Budget, to be published in the May 2002 Budget Papers.

There will be specific training in the use of the Accrual Budgeting Workbook for agency Budget officers, planned for late November 2001.

Further training for agencies is planned during November 2001. In addition to BMFRS and cash management training currently being undertaken, a general training exercise is being arranged for Budget officers focussing on accrual financial management issues.

Treasury is also about to commence a review of the current Outputs Methodology with regard to the implementation of accrual budgeting. Details of the aims of the review are provided in this Bulletin.

Stephen Gregory
Director, Budget Management Branch

Accrual Budgeting Framework

The accrual budgeting conceptual framework addresses the following budgeting elements:

- *Measurement and Presentation of the Budget Outcome;*
- *Agency Budget Presentation; and*
- *Appropriations.*

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.

Measurement and Presentation of the Budget Outcome

Currently, the Government's headline Budget measure is the Consolidated Fund Surplus. Although the Government also uses other measures based on the total Public Account (such as Net Debt), these are not widely reported in the Budget performance commentary.

New measures will be based on the Uniform Presentation Framework (UPF) which uses ABS classifications and present a Budget result for the General Government sector. The specific measures to be used are yet to be determined.

The new measures will be incorporated into a new Fiscal Strategy for the Government, which is currently under review, and will be supported by revised Budget presentation in Budget Paper No 1.

This is a major Budget refocus, which will place Tasmania on a comparative basis with other jurisdictions.

Agency Budget Presentation

A review of agency Budget presentation will be undertaken, in consultation with agencies, over the next few months to review all aspects of agency Budget presentation in Budget Paper No 2.

The format of the statements will be determined, in conjunction with agencies, by March 2002.

These changes will have an impact on the structure of agency Budget chapters in the 2003-04 Budget Papers.

Appropriations

The implementation of accrual appropriations will involve the consideration of a number of issues, including:

- appropriation categories;
- revenue recognition of accrual items;
- accrual items to be included (eg depreciation, long service leave);
- determining opening balances;
- transitional arrangements;
- business rules for agencies to access the accrual appropriation;

- monitoring accrual appropriations;
- variations to accrual appropriations;
- system issues (BMFRS); and
- legislative issues.

Where to From Here?

The next major milestone for accrual budgeting and financial management is the development of the detailed accrual budgeting framework for implementation in the 2003-04 Budget. This involves the establishment of accrual Budget processes and procedures in accordance with the conceptual framework.

This stage also involves determining appropriation mechanisms, revisions to Budget Papers and a review of business support systems to handle the changes required.

Subject to the Treasurer's approval to proceed in March 2002, work will commence on implementing the framework for the 2003-04 Budget.

Agency Reference Group Meeting

An Agency Reference Group (ARG) meeting was held on 18 October 2001.

Treasury will discuss with agencies the details of the conceptual framework and how it will be progressed over the coming months.

The ARG is a forum for agencies to raise issues with regard to the implementation of the framework. It is important to receive agency feedback and to identify issues early so that strategies can be adopted to address them in planning the implementation.

Also, agency requirements for the 2002-03 Budget, including pre-Budget report requirements, will be discussed.

Pre-Budget Report Requirements

In August 2000, the Treasurer agreed that accrual budgeting should be implemented in a phased approach. Phase 1 was completed with the publication of the accrual Budget chapter in Budget Paper No 1 for 2001-

02. Phase 2 will continue with the publication of an accrual Budget chapter in Budget Paper No 1, but in addition agency accrual Budgets will be submitted to Budget Committee as part of the pre-Budget report information due to Treasury in December 2001.

Agency accrual Budgets for inclusion in pre-Budget reports will need to be prepared using the approved Budget that exists within BMFRS at that time. A specific report is to be developed in BMFRS for this purpose.

Modifications to the Accrual Budgeting Workbook will enable agencies to import the new BMFRS file and prepare accrual Budgets for pre-Budget reports. The Workbook will be modified again in early 2002 so that agencies can import a further BMFRS file and prepare their accrual Budgets for inclusion in the whole of government accrual Budget in May 2002.

A training exercise will be scheduled for agencies in November 2001 to go through these accrual Budget development processes in more detail.

Training

In May 2001, an inter-agency working group was established to develop an education and training program, incorporating accrual budgeting awareness and accrual financial management. Two stakeholder groups were identified:

Group 1

- Ministerial Advisors;
- Senior Executives; and
- Finance Managers.

Group 2

- Agency Budget Officers;
- Treasury Budget Analysts; and
- Corporate Planners.

The working group agreed that sessions for Group 1 should be tailored as information sessions on reforms in accrual financial management (including accrual budgeting).

Information sessions should include high level speakers and guest speakers from other jurisdictions.

Information sessions for Group 1 will be held at a time more closer to the full implementation of accrual budgeting.

For Group 2, a training course will cover a range of topics including:

- the experiences of other jurisdictions in changing to an accrual budgeting environment;
- an overview of models in other jurisdictions;
- practical elements of accrual financial management; and
- the accrual budgeting framework.

At this stage it is planned to hold the course in November 2001, which will be facilitated by KPMG.

Outputs Methodology Review

As part of the Accrual Budgeting and Financial Management Project, a review of the Outputs Methodology used in Tasmania is about to commence. A preliminary report will be prepared by December 2001.

Treasury has established a working group to examine:

- the accrual budgeting changes to the present Budget process to ascertain whether proposed changes will impact on the present Outputs Methodology;
- the impacts of establishing the Tasmania *Together* goals and benchmarks on the Outputs Methodology;
- developments in Outputs Methodology and other public sector management methodologies since the implementation in Tasmania of the present system in 1996-97; and
- the performance of the present system in assisting the Government and agencies in making resource allocation decisions.

The research to be undertaken for the review and the findings from the review will be brought to together in a discussion paper which will be provided to the Treasurer after consultation with agencies. The paper will assess options to change the present Outputs

Methodology and address any related issues.