



Tasmania

**Tasmania's Financial  
Management Reform  
Strategy**

**2003 Progress Report**

**Department of Treasury  
and Finance**

**September 2003**

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# Foreword

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Acknowledging the need for a more structured approach to financial management, Treasury issued *Tasmania's Financial Management Reform Strategy* in July 1996 to consolidate reforms and initiatives at that time under an articulated framework and to facilitate the identification and development of future initiatives.

Accountability for the achievement of reform milestones is ensured through the publication of annual reports on the implementation of the strategy. Previous *Progress Reports* have addressed the ongoing implementation of the reform strategy since 1996. This *2003 Progress Report* addresses progress made with the implementation of reform initiatives outlined in the *2002 Progress Report*.

During 2002-03, Treasury continued to work closely with agencies to develop strategies for implementing *Tasmania Together* and accrual budgeting.

The financial and policy objectives of *Tasmania Together* are being progressively integrated into the annual Budget development process. This close alignment of forward planning with financial management continued in 2002-03 and represents a major initiative in Australian public policy development.

Phase 1 of the Accrual Budget and Financial Management Project was successfully completed with the publication of a consolidated accrual Budget for 2001-02 in Budget Paper No 1 in May 2001. Phase 2 saw a second consolidated accrual Budget published in Budget Paper No 1 in May 2002. More significantly, a conceptual framework for the full implementation of accrual budgeting in the 2003-04 Budget was implemented in the 2003-04 Budget.

This year, with the introduction of the Accrual Budgeting Framework (ABF), the State Budget has been prepared on an accrual basis for the General Government Sector. The move to an accrual Budget is consistent with other Australian Governments and discloses similar information to that presented in consolidated financial reports prepared under Australian Accounting Standards.

It is pleasing to report that, in recognition of the development of the Financial Management Reform Strategy for the Tasmanian Public Sector, the Department of Treasury and Finance was judged the State winner of the 2002 CPA Australia Public Sector Organisation Award.

In presenting the award, CPA Australia observed that an essential element of the strategy was establishing effective mechanisms for ensuring accountability for the achievement of reform milestones. The CPA Australia judging panel were impressed with the development of the strategy and the innovative and strategic focus of the Tasmanian reform process.

D W Challen  
**Secretary**

September 2003



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# 1 Introduction

## 1.1 The need for a reform strategy

### 1.1.1 The drivers of reform

The Tasmanian Government needs to make the public sector more effective and efficient, to meet demands for additional services or reduced taxation, whilst maintaining the existing level of goods and services.

### 1.1.2 The need for a strategy

In 1996, the threads of the financial management reform program were drawn together in a structured overview, which consolidated the implementation of reform initiatives to achieve more efficient and effective resource management. The Financial Management Reform Strategy series of publications records the path of financial management reform since 1996 and has assisted the reform process by:

- providing a clear vision for the future direction of financial management reform;
- consolidating existing reforms and initiatives under an articulated framework;
- providing a benchmark to ensure that individual reform initiatives are consistent with the broad future directions; and
- facilitating the identification and development of future initiatives.

The reform process is a continuing one. Treasury is committed to the implementation and promotion of best practice financial management. This will be achieved during 2003-04 by consolidating recent reforms, communicating the reform program to all stakeholders and encouraging the process of change as initiatives emerge. The benefits of continuing to follow an integrated approach include:

- providing guidance and leadership for public sector managers and employees;
- placing the agenda of initiatives in a proper, comprehensive context;
- avoiding duplication or conflict in policies; and
- overcoming potential inefficiencies in the application of resources.

### 1.1.3 Scope of the strategy

The Tasmanian Public Sector comprises several different types of entities. These are classified according to the sectors comprising the Uniform Presentation Framework (UPF), namely General Government, Public Non-Financial Corporation (PNFC), or Public Financial Corporations (PFC) Sectors. The General Government Sector comprises those agencies of government, the primary function of which is to provide public services which are mainly

non-market in nature, for the collective consumption of the community, or which involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies. This sector includes government departments and a number of entities that act outside the Public Account including the Inland Fisheries Service, Marine and Safety Tasmania, the Royal Tasmanian Botanical Gardens, the State Fire Commission and the Nominal Insurer (a statutory entity created by the *Workers Rehabilitation and Compensation 1988 Act*. The State Budget in 2003-04 is based on the General Government Sector.

The PNFC Sector comprises those entities that aim to cover the majority of their expenses by revenue from the sales of goods and services and which are mainly market, non-regulatory and non-financial in nature. Generally, this sector covers the State Owned Companies (SOCs) and Government Business Enterprises (GBEs). These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget.

The PFC Sector comprises those entities that perform central bank functions or have the authority to incur financial liabilities and acquire financial assets in the market on their own account. In Tasmania there are two organisations in this sector. These are the Tasmanian Public Finance Corporation and the Motor Accident Insurance Board.

An overview of the State public sector is provided in *The Tasmanian Government Financial System*.

The Tasmanian Financial Management Reform Strategy has been developed for the whole State public sector.

## **1.2 Goals, objectives and principles**

### **1.2.1 The goals**

The Tasmanian Financial Management Reform Strategy is directed to four goals:

**1. *The Government has the capacity to manage for change.***

For the Government to facilitate high levels of productive economic activity, a capacity for smooth and rapid adaptation is crucial.

**2. *The community's exposure to risk and vulnerability to external events is managed.***

The community's exposure to risk needs to be kept to an acceptable level. By identifying areas of risk, the Government can become more effective in anticipating and managing external events.

3. ***The Government has the capacity to provide the community with lower taxation and/or increased services.***

The Government has the capacity to offer lower taxation and/or increased services, when existing services are provided on the basis of best value for money. This is achieved through obtaining the best mix of economy, efficiency and effectiveness in the provision of goods and services. Through lower interest outlays, debt retirement also provides additional capacity to offer lower tax and/or increased services.

4. ***The Services enjoyed by the current generation do not impose burdens on future generations.***

The delivery of services and the maintenance of the State's asset base should not impose an unwarranted burden on future generations and the long-term financial stability of the State should be preserved.

### **1.2.2 The objectives**

In order for the long-term goals to be achieved, three objectives have been adopted:

1. ***The inner Budget sector will be managed to achieve the Government's fiscal and strategic objectives, delivering the maximum outputs with the resources provided.***
2. ***Government businesses will maximise returns to their shareholders, the people of Tasmania.***
3. ***The community will derive an appropriate and sustainable return from the State's natural resources.***

### **1.2.3 The principles**

Initiatives taken to achieve these goals and objectives must give effect to several important principles, namely:

1. ***Strategic decision-making will strike an appropriate balance between whole-of-government requirements and the specific interests of individual departments.***
2. ***Public sector managers will operate within a system of incentives, rewards and sanctions that encourages behaviour consistent with the goals and objectives.***
3. ***Information will be gathered, analysed and reported in a manner which:***
  - ***reveals the extent to which behaviour is consistent with the goals and objectives; and***
  - ***supports decision-making that is in line with the goals and objectives.***
4. ***Decision-makers will be accountable for results and for their actions.***

5. *All those involved in financial management will have a thorough understanding of the Financial Management Framework and the goals and objectives of the reform agenda.*

The term “Financial Management Framework” refers to the Framework, established by various Acts and Treasurer’s Instructions, defining the responsibilities of officers undertaking financial management activities including budgeting, accounting, reporting and procurement, within the State Sector. *The Tasmanian Government Financial System* provides an overview of the Financial Management Framework, particularly as it relates to the General Government Sector.

A full list of all Treasury publications, relevant to financial management reform in Tasmania, can be found in Appendix 2. Relevant addresses made during 2002-03 are listed in Appendix 3.

### **1.3 Individual strategies**

The following strategies will be implemented in 2003-04. They build on the foundations of the existing Financial Management Reform Strategy:

#### **1.3.1 Fiscal Strategy**

- During 2003-04, the Government will continue to pursue the targets established under the Fiscal Strategy. Progress towards the achievement of the targets will be monitored by Treasury and reported in the 2004-05 Budget Papers in May 2004.

#### **1.3.2 Budgetary and appropriation processes**

- By 31 October 2003, submit for the Treasurer’s consideration the report on the Review of the Outputs Budgeting methodology and Budget development processes.
- By 31 December 2003, in accordance with direction received from the Treasurer, prepare a strategy and timetable for implementing the recommendations from the Review of the Outputs Budgeting Methodology.
- During 2003-04, Treasury, in consultation with the Department of Premier and Cabinet, will continue to review agency performance information and further integrate Tasmania *Together* benchmarks and goals into agency performance information provided in the 2004-05 Budget Papers.
- By October 2003, complete a Post Implementation Review of Phase 3 of the Accrual Budgeting and Financial Management Project.
- By February 2004, complete a review of best practice reporting, for phased implementation into future Budget Papers and interim and end-of-year financial outcome reporting.
- By February 2004, complete a review of, and document, all business processes associated with the development of the 2003-04 accrual Budget and further integrate accrual Budget elements into management processes for monitoring the 2003-04 Budget and developing the 2004-05 Budget process.

- By 28 February 2004, complete enhancements to BMFRS associated with the improvement of enquiry tools for data analysis and the streamlining of system processes for the 2004-05 Budget.
- By 30 June 2004, complete enhancements to BMFRS to enable the development and production of reports for financial reporting under the new financial reporting framework.
- By June 2004, amend financial and statistical reporting systems and processes to give effect to the new financial reporting framework.
- By September 2003, present the revised Budget Management Guidelines to Budget Committee for approval and to Cabinet for endorsement.
- By December 2003, consult with agencies on the implementation of revised administered and controlled classifications for Budget purposes.
- By September 2003, complete a post Budget review of the 2003-04 Budget development process. Recommendations from the review will be incorporated into the 2004-05 Budget development process.
- By 30 June 2004, develop a scoping paper in respect of the strategic direction of the Integrated Budget Management Financial Reporting System (BMFRS), to ensure it satisfies all future needs of key stakeholders.

#### ***Financial management – government departments***

- In relation to risk management:
  - prepare an annual report on the activities of the Tasmanian Risk Management Fund (TRMF) during 2002-03, by November 2003;
  - finalise a Motor Vehicle Fleet Purchase and Use Policy, by November 2003;
  - review agency contributions and the calculation of premiums, by December 2003;
  - examine options to improve the management of medical malpractice liabilities, by December 2003; and
  - conduct a tender process and appoint panels of pre-qualified providers for each category of service provider to the TRMF, by June 2004.
- During 2003-04, continue to divest the Government owned office portfolio, arranging the sale or transfer of properties in accordance with the Office Accommodation and Property Services Strategic Plan.
- By June 2004, prepare and submit to Budget Committee, after consultation with agencies, a report on revised Strategic Asset Management Plan (SAMP) processes, reflecting the new accrual budgeting framework.

- In March 2004, Treasury will convene a third Strategic Planning Day to progress the ongoing management of financial systems reform.
- Treasury will continue to provide administrative support to the inter-agency working groups. By June 2004:
  - the Financial Systems Management Group will have undertaken negotiations with the common financial management information systems provider with the aim of developing a strategic whole-of-government partnership agreement and contract management arrangements; and
  - the Budget Systems Working Group will have prepared detailed specifications for a common agency budget development and management system.
- During 2003-04, continue to provide secretariat services to the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC).
- During 2003-04, continue, with other State, Territory and Commonwealth Treasuries, to develop public sector positions on accounting and reporting issues.
- Treasury will complete the review of Treasurer's Instructions by 31 December 2003 and reissue all the revised Treasurer's Instructions by 31 January 2004.
- Treasury will present a proposal for a common approach to the development of agency specific financial management manuals at the October 2003 Financial Management Forum.
- By June 2004, complete a review of the functional requirements for Whole-of-Government Reporting.
- During 2003-04, Treasury will work with Westpac to encourage agencies to continue the migration to electronic, cost effective processes that assist better business practices for agencies and their clients.
- By December 2003, complete a further review of transactional and revenue collection services to identify any areas of concern to agencies and will consider appropriate measures to address any issues identified.
- By September 2003, review and issue new Costing Fees and Charges Guidelines.
- In relation to financial management legislation:
  - by October 2003, prepare a Scoping Paper outlining work undertaken to date and the process and extent of the review of the financial management legislative framework;
  - by December 2003, obtain endorsement from stakeholders, including the Treasurer, on the scope of the proposed review; and
  - by April 2004, issue a Discussion Paper outlining the proposed financial management legislative framework and the process for its implementation.

### ***Financial management – procurement***

- Review and rewrite the Treasurer’s Instructions in relation to procurement, by December 2003.
- Treasury will, in conjunction with New South Wales, Queensland and the Office of the Crown Solicitor, participate in the review of the current Government Information Technology Contract and order forms to determine if they are still meeting the Government’s requirements, by December 2003.
- Survey SMEs and agencies, to identify tendering issues and identify why Tasmanian SMEs are unsuccessful when bidding for Government business, by February 2004.
- Based on the survey of Small and Medium Enterprises (SMEs) and agencies, identify and improve areas of ambiguity in tender documentation and processes, by June 2004.
- Provide a facility for the electronic lodgement of tenders by December 2003.
- Release a discussion paper *eProcurement in the Tasmanian Government-The Way Forward*, drawing together the findings of the eProcurement in Government Survey and the eProcurement Pilot Project, by October 2003.
- In consultation with agencies, prioritise and implement the key strategies identified in the Discussion Paper *eProcurement in the Tasmanian Government – The Way Forward*, by June 2004.
- In conjunction with the Department of Premier and Cabinet, Treasury will collect and analyse data on agency IT procurement activities and develop strategic sourcing options by 31 December 2003.
- During 2003-04, examine and report on options for further progressing Government procurement objectives and delivering value for money through more strategic procurement practices.
- During 2003-04, further pursue the Government’s commitment to supporting local businesses, utilising its procurement resources, through:
  - participation in the development and review of Local Government Partnership Agreements to ensure that opportunities to incorporate procurement related initiatives are considered;
  - encouraging GBEs, SOCs and local government to utilise the tenders website to promote business opportunities to local SMEs; and
  - actively marketing of procurement training and associated tools developed for inner Budget agencies, to GBEs, SOCs and local government.

### ***Financial management – Government Businesses and other State Authorities***

- By December 2003, complete a review of GBE Ministerial Charters to ensure consistency with the *Government Business Enterprises Amendment Act 2002*, and any other requirements of the recommendations of the GBE Act Review Group.

- During 2003-04, negotiate a new three-year contract with The Public Trustee for the delivery of CSO services.
- During 2003-04, monitor the negotiation by the Department of Infrastructure, Energy and Resources, of a new contract with Metro Tasmania Pty Ltd.
- By June 2004, develop for the Treasurer's consideration, a revised general dividend policy for Government businesses.
- During 2003-04, Treasury will provide, as required, advice on the utilisation of private sector capital for public infrastructure projects.
- Subject to Cabinet approval of the Induction Framework, develop and implement by March 2004, an induction program for new Board directors for Government businesses.
- During 2003-04, progress the Government's Divestment Strategy regarding the sale of the Civil Construction Corporation; Tasmanian Grain Elevators Board; and the Stanley Cool Stores Board.
- During 2003-04, undertake further investigation into the sale of non-core assets in relation to Forestry Tasmania.
- During 2003-04, undertake further investigation into the sale of non-core assets in relation to the Hobart Port Corporation.
- During 2003-04, undertake further investigation into the sale of non-core assets in relation to the Launceston Silverdome.

### ***Education and communication***

- Improve Treasury's electronic communications by:
  - enhancing the Budget and Financial section on the Treasury Web site by September 2003; and
  - continuing to improve the useability of Treasury Web sites to improve functionality and access for users.
- Convene meetings of the Financial Management Forum, in October 2003 and May 2004, to facilitate the sharing of financial information between agencies and to progress whole of government initiatives.
- Publish an integrated 2003-04 Budget and financial reporting calendar in October 2003.
- During 2003-04, continue to advise on financial management reform issues through the regular Treasury newsletter *@treasury.tas*.
- By 31 December 2003, implement recommendations for methods of streamlining Treasury's data requirements, associated data collection processes, effective sharing and use of data by branches and standardisation of terminology.

- The interagency Education and Training Working Group will:
  - finalise the detailed financial management education and training program, by September 2003; and
  - arrange for delivery of delivery of 2003-04 training modules from October 2003.
- Customise the PACCER course, *Service Contract Management*, by December 2003.
- Conduct a formal review of the current procurement training program and consult with agencies to assess further training needs, by January 2004.

#### **1.4 The structure of this document**

This *2003 Progress Report* presents an overall picture of the reforms currently under way, and proposed during 2003-04.

The reform initiatives are grouped into the following categories:

- Fiscal Strategy;
- Budgetary and Appropriation Processes;
- Financial Management - Government Departments;
- Financial Management – Procurement;
- Financial Management – Government Businesses and Other State Authorities; and
- Education and Communication.

Under each of these headings, there is a summary of recent major initiatives, the status of continuing reforms and an outline of new strategies proposed for the forthcoming year.

Appendix 1 provides a full list of all those strategies identified in the *2002 Progress Report* and details their current status.

## 2 Fiscal Strategy

### 2.1 Background

A credible and achievable medium-term Fiscal Strategy is an essential component of prudent contemporary financial management practice. It represents not only an effective planning tool for the Government, but also provides clear signals to financial markets, the business sector and the community, of the Government's direction in financial management. A Fiscal Strategy also provides a framework for the Government to demonstrate, to credit rating agencies, the financial focus of the Government, any identified issues or problems and how these will be addressed.

The Government introduced its first Fiscal Strategy as part of the 1998-99 Budget. Its primary objective was to ensure responsible financial management while supporting the Government's other priority initiatives including *Tasmania Together*, the Industry Development Plan and Partnership Agreements with local government. The Fiscal Strategy was structured to run until the end of 2003-04 and contained five broad components, which addressed the range of financial management issues facing the State. The Government met all of the targets established in 1998-99 well ahead of the Fiscal Strategy deadline of 2003-04.

A new Fiscal Strategy was announced in the 2002-03 Budget. Each of the five components of the new Fiscal Strategy is outlined below.

#### 2002 Strategy

The Government will pursue the targets established under its new six-year Fiscal Strategy. Progress towards the achievement of the targets will be monitored and reported.

### 2.2 The current Fiscal Strategy

The current Fiscal Strategy, which was announced in the 2002-03 Budget, builds on the significant achievements of the previous Fiscal Strategy and focuses on continuing the Government's record of strong financial management.

The Fiscal Strategy continues to support the Government's priority initiatives such as *Tasmania Together*, the Industry Development Plan and Partnership Agreements, by delivering quantifiable benefits to the community, in the form of improved service provision, tax cuts and infrastructure development. Key elements of the Fiscal Strategy include ongoing Budget surpluses, the elimination of General Government Sector Net Debt and net interest payments, a significant reduction in Total State Sector Net Debt and the elimination of the Government's unfunded superannuation liability within a reasonable time frame.

The Fiscal Strategy extends to 2007-08. The period of the Fiscal Strategy represents an appropriate medium-term timeframe in which to set Tasmania's fiscal goals. The conclusion of the Fiscal Strategy will also coincide with major achievements such as the elimination of General Government Sector net debt.

The principles and targets, which form the basis of the Fiscal Strategy, are outlined in detail below.

### **2.3 Budget position**

*Principle*      *To strengthen the State's financial position, the State Budget will be managed in surplus on a long-term sustainable basis to achieve the Government's net debt targets.*

*Targets*        *The annual General Government Sector Budget will be maintained in surplus; and*

*The General Government Sector cash surplus will be sufficient to achieve the Government's established net debt targets.*

The annual Budget outcome is a vital factor in the long-term management of the State's finances. In the absence of asset sales and additional financial assets, the only means of achieving a significant reduction in net debt is through the achievement of ongoing surpluses. In order for the net debt targets established as part of the Fiscal Strategy to be achieved, it is essential that Budget surpluses be achieved.

#### **Progress**

The Government has budgeted in 2003-04 for a Cash Surplus of \$83.2 million, a decrease of \$20 million or 19.5 per cent on the 2002-03 budgeted Cash Surplus of \$103.2 million. The actual Cash Surplus outcome for 2002-03 is estimated to be \$172.9 million. The reduction in the 2003-04 Cash Surplus reflects increased expenditure from the cash reserves accumulated during 2002-03. A substantial component of the reduction in cash reserves reflects expenditure from the Government's new Economic and Social Infrastructure Fund.

The Cash Surplus measure represents the net cash flows from operating activities plus the net cash flows from investments in non-financial assets. The achievement of a Cash Surplus in 2003-04 is in line with the Government's Fiscal Strategy and is consistent with the Government's target of eliminating General Government Net Debt by June 2008.

### **2.4 Debt and liability reduction**

*Principle*      *The debt and liability burden on the Tasmanian community will be further reduced.*

*Targets*        *General Government Sector Net Debt will be below \$450 million by June 2005;*

*General Government Sector Net Debt will be eliminated by June 2008;*

*General Government Sector Net Interest Costs will be zero by June 2008;*

*Total State Sector Net Debt will be below \$1 000 million by June 2008;*

*The State's unfunded superannuation liability will be extinguished within 15 years (that is, by June 2018); and*

*Net Financial Liabilities for the General Government Sector will be eliminated within 14 years (that is, by June 2017).*

Debt and liability reduction is a centrepiece of the Fiscal Strategy. Achieving a reduction in the level of net debt is a critical factor in the achievement of further improvements in the State's financial position while also reducing the potential pressure on the annual Budget from increases in interest rates. A reduction in the level of debt is also of great importance due to the strong focus rating agencies place on the liability side of the State's balance sheet.

In addition to these significant benefits, the reduced interest costs associated with debt reduction also mean that savings are generated which can then be applied to major Government initiatives such as tax cuts, improved services to the community and increased spending on public infrastructure. This has been a significant factor in the increased funding which the Government has been able to apply in recent Budgets to a range of services and initiatives.

## **Progress**

The following table provides a summary of actual and estimated movements in key performance indicators between 30 June 2002 and 30 June 2003.

<b>Performance Indicator</b>	<b>30 June 2002 actual balance \$</b>	<b>30 June 2003 estimated balance \$</b>
General Government Sector Net Debt	751m	573m
Total State Sector Net Debt	2 089m	1 789m
General Government Sector Net Financial Liabilities	2 557m	2 529m
General Government Sector Net Unfunded Superannuation Liability	1 342m	1 385m

## **2.5 Taxation competitiveness**

*Principle*      *Maintain a competitive State tax environment.*

*Targets*      *Tasmania's tax severity (as measured by the Commonwealth Grants Commission) will remain below the average of all states and territories and below that of Victoria; and*

*There will be no new taxes and no increase in the rate of any existing taxes.*

The Government is committed to fostering an increasingly competitive business environment in Tasmania and to ensuring that Tasmania is an attractive place for people to live. These are both major factors in increasing the level of employment in Tasmania.

Through its Industry Development Plan, and a range of other major strategies and initiatives, the Government has actively sought to achieve these important objectives. Foremost amongst these strategies and initiatives has been the creation of a competitive State tax environment through the implementation of State tax reform.

The principles and targets relating to taxation competitiveness, established in the Fiscal Strategy, will ensure that Tasmania continues to be highly competitive with the other states and territories when it comes to levels of business and other taxation.

### **Progress**

The independent Commonwealth Grants Commission provides a measure of taxation competitiveness across jurisdictions. The latest national comparisons, published in February 2003 (using 2001-02 data), show that Tasmania's tax severity is 6.7 per cent below the national average and is the second lowest of all jurisdictions.

In the 2003-04 Budget, no new taxes were introduced and no taxes were increased. From 1 July 2003, the grossed up value of fringe benefits and eligible termination payments will be subject to payroll tax, thus bringing Tasmania in line with other jurisdictions. This will be accompanied by a reduction in the rate of payroll tax to 6.1 per cent to offset, in revenue collection terms, this minor broadening of the base.

## **2.6 Infrastructure maintenance**

*Principle*      *Maintain infrastructure to support the delivery of Government services and to foster economic and industry development.*

*Target*         *The State funded component of the Capital Investment Program (CIP) will be maintained in real terms.*

The proper maintenance of Tasmania's public infrastructure assets, and investment in new public assets, is essential to the effective delivery of services to the community and to promoting growth within the State. Appropriate levels of ongoing capital expenditure also assists in reducing the likelihood and impact of significant one-off capital expenditure demands on the Budget.

The focus on infrastructure maintenance as part of the Fiscal Strategy will ensure that the significant additional expenditure, which has been allocated by the Government to infrastructure maintenance in recent years, will be supported by the maintenance, in real terms, of the level of State funding provided in the Capital Investment Program over the next five years.

### **Progress**

The State funded component of the Capital Investment Program has been maintained in real terms. Within the State funded component of the CIP, the allocation for essential maintenance of infrastructure is being increased by 10 per cent per annum.

## 2.7 Risk management

*Principle*      *Ensure that adequate mechanisms and financial provisions are in place to minimise the risks to the Tasmanian Government.*

*Target*          *The Tasmanian Risk Management Fund (TRMF) will operate on a fully funded basis and have reserves that are sufficient to meet estimated outstanding liabilities.*

While it is prudent financial management to reduce levels of net debt and unfunded superannuation liabilities and to seek to increase the level of Budget surpluses, it is also prudent financial management to reduce the impact which other risks could have on the Government's overall financial position. Through the TRMF, which commenced operations from 1 July 1999, the Government has taken important steps to reduce the potential impact of a range of risks on government agencies.

The inclusion of this principle and target in the Fiscal Strategy emphasises the importance of the Government continuing to take appropriate action in relation to minimising all risks to the Government's financial position.

### **Progress**

The TRMF continues to operate on a fully funded basis. Total contributions to the Fund made by participating government agencies were \$32.1 million in 2002-03 and are estimated at \$32.8 million in 2003-04. The increase in agency contributions from 1999-00 to 2003-04 reflects the progressive increase in the range of risks for which agencies purchased whole-of-government cover through the Fund.

As at 30 June 2003, the TRMF was fully funded with reserves adequate to meet the actuarial estimate of outstanding liabilities for all risk categories except medical negligence in respect of incidents that occurred prior to 1 July 2001. However, the Government has begun appropriating funds to cover the unfunded liability (\$3 million was appropriated in 2003-04).

### **2003 Strategy**

*During 2003-04, the Government will continue to pursue the targets established under the Fiscal Strategy. Progress towards the achievement of the targets will be monitored and reported in the 2004-05 Budget papers in May 2004.*

## 3 Budgetary and appropriation processes

### 3.1 Progress to date

There has been considerable change in emphasis in Budget development, presentation and monitoring since the mid 1990s. The Output methodology is the basis of Government decision-making and agency management, shifting the emphasis away from an input focus to a focus on the goods and services provided by agencies.

There has been a fundamental transition in Budget management, from a transaction orientation and monitoring role, to one of value added analysis.

During 2003-04, the Government implemented the first full accrual Budget for the General Government sector. Accrual budgeting provides the final link between budgeting, accounting and reporting processes.

### 3.2 Continuing initiatives

#### 3.2.1 Alignment of Budget processes with Tasmania Together

Tasmania *Together* is the 20 year social, environmental and economic plan for Tasmania, created by its people. Tasmania *Together* contains a vision of where Tasmanians want the State to be in the year 2020 and sets goals and targets or “benchmarks” to measure progress.

It is essential that the decisions, and the allocation of resources, occurring as part of the Government’s annual Budget process, take into account the Government endorsed goals and benchmarks incorporated within Tasmania *Together*. It is therefore vital that Tasmania *Together* requirements be fully integrated into the annual Budget development process.

The development and implementation of a Budget process integrated with Tasmania *Together*:

- ensures that Tasmania *Together* priorities for the Budget are included at the commencement of the Budget development process;
- ensures that, as far as possible, existing processes, information and documents prepared by agencies, incorporate the required new focus and information to ensure that the changes become part of the day to day operations of agencies and that any duplication is minimised;
- facilitates the increased involvement of the Department of Premier and Cabinet, during the Budget development process, with the provision of input on social policy issues and priorities; and
- ensures that all necessary agency Budget information is obtained from agencies and presented in the Budget Papers.

A number of elements integrating Tasmania *Together* requirements into the Budget process were implemented during the 2002-03 Budget development process. These new elements

primarily involved the requirement for agencies to clearly link Budget information to Tasmania *Together* and other major Government initiatives. The increased involvement of the Department of Premier and Cabinet in the Budget process ensured information was evaluated from a policy perspective.

#### 2002 Strategy

Treasury, in consultation with the Department of Premier and Cabinet, will by November 2002, review the integration of Tasmania *Together* into the Budget process. Any enhancements required will be implemented in the 2003-04 Budget development process.

### Progress

In November 2002, Treasury, in consultation with the Department of Premier and Cabinet, completed a review of the integration of Tasmania *Together* into the Budget process. A Working Group reviewed the Budget development process and, a number of amendments were made to more fully incorporate whole-of-government approaches into the development of the Budget to ensure that the Budget reflected the Government's policy priorities.

The 2003-04 Budget development process was enhanced by:

- Treasury and the Department of Premier and Cabinet promoting a greater awareness amongst agencies of whole-of-government approaches to Budget development;
- advising agencies of Cabinet endorsed Tasmania *Together* priority benchmarks for 2003-04 and 2004-05; and
- the linking of Community Consultation submissions from peak interest groups to Tasmania *Together* benchmarks.

Consideration of Tasmania *Together* goals and benchmarks will continue to be emphasised during future Budget development processes.

### 3.2.2 Review of Output methodology

The present Output budgeting methodology was implemented in 1996-97. By using an Outputs methodology, the Government ensures that agencies are accountable for the delivery of goods and services by monitoring outputs in terms of measures including quality, quantity, timeliness and cost.

However, feedback from stakeholders revealed concerns with the effectiveness of the current methodology in assisting the Government and agencies in making funding decisions. Treasury decided to review the present Output methodology in the context of the implementation of accrual budgeting, and the re-engineering of the Budget development process in line with Tasmania *Together* goals and benchmarks.

A review of the Output methodology, completed prior to the 2002-03 Budget development process, found that there is general support for the methodology amongst agencies. However, it also found that it would be beneficial, to the Budget development process, to include opportunities for Budget Committee to discuss strategic issues with Ministers and Heads of Agencies.

The review also found that the Tasmanian Outputs/Outcomes hierarchy model required refinement, in its definition of the three levels of Outcomes, to incorporate Tasmania *Together* and other major policy initiatives such as the Industry Development Plan and Local Government Partnership Agreements.

One of the key issues in relation to outputs identified by the review was the need to review the payments currently classified as administered, to ensure that the classification reflected the correct agency responsibility and accountability.

#### 2002 Strategy

Treasury will, by December 2002, finalise the report on the review of the Outputs/Outcomes methodology and Budget development processes for inclusion in the Budget development process for 2004-05 and future years.

### Progress

The report on the review of the Outputs/Outcomes methodology and Budget development processes was finalised in August 2003 and will be submitted to the Treasurer in October 2003. Recommendations contained in the report will be evaluated and prioritised for inclusion in the 2004-05 Budget Development process.

#### 2003 Strategy

*By 31 October 2003, submit for the Treasurer's consideration the report on the Review of the Outputs Budgeting Methodology and Budget development processes.*

*By 31 December 2003, in accordance with direction received from the Treasurer, prepare a strategy and timetable for implementing the recommendations from the Review of the Outputs Budgeting Methodology.*

### 3.2.3 Improved performance information

Performance information is used to assess whether the outputs produced by agencies are being delivered in the most efficient manner and so as to enable the achievement of Government endorsed Outcomes. It is therefore an important tool for Government decision-making (in relation to resource allocation and assessing the success or otherwise of policies) and agency internal management.

Performance information for agencies has been provided in the Budget Papers since 1997-98. A number of agencies also contribute performance information on service delivery on a national basis as part of the Productivity Commission's annual *Report on Government Services*.

Agencies currently provide useful performance information for inclusion in the Budget Papers on a wide range of agency outputs. However, considerable improvements can still be made to this information. In particular, existing performance indicators can be refined further and new indicators developed that measure the achievement of key Outcomes.

A proposed review of performance indicators was deferred pending the provision of Tasmania *Together* indicators on social and economic targets. Future output performance measures must link to the key outcomes of Government and be integrated into the Tasmania *Together* program.

The Tasmania *Together* benchmarks increasingly will be used for determining Budget priorities, agency goals and for evaluating the well being of the State.

The final Tasmania *Together* document, containing benchmarks, was released in September 2001. During 2001-02, Treasury and the Department of Premier and Cabinet jointly reviewed the performance information provided by agencies. Improved performance information, linked to Tasmania *Together* benchmarks, was published in the 2002-03 Budget Papers. The development, by agencies, of Agency Performance Plans, was integral to this process.

#### 2002 Strategy

Treasury, in consultation with the Department of Premier and Cabinet, will review Budget Paper information to provide improved performance information, linked to Tasmania *Together* Benchmarks by May 2003.

#### **Progress**

In February 2003, Treasury, in consultation with the Department of Premier and Cabinet, completed a review of Budget Paper information in order to provide improved performance information, linked to Tasmania *Together* benchmarks. Tasmania *Together* benchmarks are now included within the performance information in the Budget Papers.

Details of agency performance and initiatives undertaken, which related to the performance of Tasmania *Together* benchmarks during 2002-03, was also provided in the Tasmania *Together* Government Activity Report released by the Government in May 2003. The Report highlighted actions taken by agencies during 2002-03 and identified related Budget initiatives for the coming financial year.

During 2002-03, Treasury continued to review agency performance information and individual agencies have continued to improve performance information.

As part of the ongoing development of the Budget Papers, Treasury will continue to review agency performance information and seek to further integrate Tasmania *Together* benchmarks and goals into agency performance information provided in the 2004-05 Budget Papers.

### **2003 Strategy**

*During 2003-04, Treasury, in consultation with the Department of Premier and Cabinet, will continue to review agency performance information and further integrate Tasmania Together benchmarks and goals into agency performance information provided in the 2004-05 Budget Papers.*

## **3.3 Accrual Budget implementation**

### **3.3.1 Consolidated Accrual Budget**

The preparation of two accrual Budgets, prior to the implementation of the accrual budgeting framework, greatly assisted with the transition process by increasing accrual competencies and understanding of accrual budgeting practices.

For the 2001-02 Budget, accrual estimates formed the basis for a consolidated accrual Budget for the General Government Sector (on-Budget entities). Chapter 12 of Budget Paper No 1 *Budget Overview 2001-02* contained an accrual presentation of the 2001-02 Budget, prepared in accordance with generally accepted accounting principles. This represented the completion of Phase 1 of the accrual budgeting implementation process and was a first for Tasmania. For the 2002-03 Budget, consolidated accrual Budget estimates for the General Government Sector were presented in Budget Paper No 1, using a process similar to that used for the 2001-02 Budget.

For the 2003-04 Budget, consolidated accrual Budget estimates for the General Government Sector were presented in Budget Paper No 1 on a Uniform Presentation Framework (UPF) basis. Agencies presented accrual Budget estimates in Budget Paper No 2 in accordance with Australian Accounting Standards (AAS).

### **3.3.2 Agency accrual Budgets to Budget Committee**

Information, based on agency end of year accrual financial statements, was included in pre-Budget reports for the first time as part of the 2001-02 Budget development process.

In order to further lift the profile and understanding of accrual principles and accrual budgeting within the Budget development process, agency accrual budget statements were included in pre-Budget reports for consideration by Budget Committee as part of the 2002-03 Budget development process. Accrual information was also provided to Budget Committee from February 2003 for the development of the 2003-04 Budget.

The provision of accrual information to Budget Committee will be further integrated into the Budget development process for the 2004-05 and future Budgets.

### **3.3.3 Accrual budgeting framework**

Most Governments in Australia have implemented budgeting and financial management, based on accrual principles, with an emphasis on total resource management and contemporary measures of Budget performance.

Details of Tasmania's accrual budgeting framework were developed in 2001-02 and approved by the Treasurer in August 2002. The framework addressed issues associated with the implementation of accrual budgeting for the 2003-04 Budget, including:

- the development of new Budget management processes and procedures;
- the development of revised business support systems to manage accrual budget information and produce new Budget reports;
- greater emphasis on management of the resources within the public account;
- amendments to financial management legislation where appropriate; and
- the development of education, communication and training programs for key stakeholders.

During 2002-03, Treasury developed the business support systems and revised processes and procedures to enable the development and management of the State Budget on a full accrual basis.

#### **2002 Strategy**

By May 2003, Treasury will:

- implement the accrual Budget presentation in Budget Papers No 1 and 2; and
- implement accrual Budget management processes.

#### **Progress**

Accrual Budget presentation was implemented in Budget Papers No 1 and 2 for the 2003-04 Budget. The 2003-04 Budget presented, for the first time, a consolidated accrual Budget for the General Government Sector, in accordance with the accrual UPF, as its main Budget focus. UPF information was previously presented to a lesser degree in the Budget Papers. Agency Budgets were also prepared and presented on an accrual basis for the first time in accordance with generally accepted accounting principles.

The 2003-04 Budget was one of the outputs from the implementation of the detailed accrual budgeting framework. The new framework provides for:

- development and management of the Budget in accordance with headline Budget measures based on the accrual Uniform Presentation Framework;
- presentation of the consolidated Budget in Budget Paper No 1 *Budget Overview*, in accordance with the accrual UPF;
- presentation of agency Budget chapters in Budget Paper No 2 *Operations of Government Departments*, in accordance with Australian Accounting Standards (AAS) and other generally accepted accounting principles; and
- retention of agency appropriations on a cash basis.

Implementation of the accrual budgeting framework was supported by changes to business support systems, revised Budget Management Guidelines, implementation of an education and training program and communication of the changes in Budget presentation to all stakeholders. Communication was supported by the development of a Budget Guide and an Accrual Budgeting Framework booklet to assist readers of the 2003-04 Budget Papers.

A number of new accrual budget management processes were implemented for the 2003-04 Budget. These included processes within agencies for the collection of both Accrual and Special Deposits and Trust Fund information. Enhanced management processes were also incorporated into the Integrated Budget Management and Financial Reporting System (BMFRS), which assisted in the preparation of the 2003-04 Budget.

Further accrual Budget management processes have been identified to assist with monitoring of the 2003-04 Budget and preparation of the 2004-05 Budget. These processes will be integrated further into the day-to-day management processes within Treasury and agencies during 2003-04.

The implementation of the accrual budgeting framework and the transition to accrual based financial management represents Phase 3 in the Accrual Budgeting and Financial Management Project. During 2003-04, reviews will be undertaken to:

- examine the implementation of the Accrual Budgeting and Financial Management Project,
- examine best practice reporting to ensure best practice reporting in future Budget Papers; and
- review and document business processes associated with the development of the 2003-04 accrual Budget.

### ***2003 Strategy***

***By October 2003, complete a Post Implementation Review of Phase 3 of the Accrual Budgeting and Financial Management Project.***

*By February 2004, complete a review of best practice reporting, for phased implementation into future Budget papers and interim and end-of-year financial outcome reporting.*

*By February 2004, complete a review of, and document, all business processes associated with the development of the 2003-04 accrual Budget and further integrate accrual Budget elements into management processes for monitoring the 2003-04 Budget and developing the 2004-05 Budget process.*

### **3.3.4 Business systems**

Management and planning of the State Budget is a core function of Treasury, and has a critical impact on the efficient and effective operation of government. The implementation of the accrual budgeting framework has required significant enhancement to the business support systems in Treasury, which are used to manage and prepare the State Budget. Enhancements to the BMS have affected the reporting and cash management components of the Integrated Budget Management Financial Reporting System (BMFRS).

The BMFRS was first developed and used for the presentation of the 1999-00 Budget. Initially, the Budget Management System (BMS) was developed independently of, but related to, the Public Account Reporting (PARS) System.

In January 2001, Treasury recognised the benefits of integrating the existing BMS and PARS and developing a Public Account Cash Management System (PACMS). This project was implemented in December 2001.

#### **2002 Strategy**

By October 2002, Treasury will undertake a Post-Implementation Review of the Integrated BMFRS.

During 2002-03, Treasury will implement changes to the Integrated BMFRS to enable collection of agency accrual budget data for the preparation of agency accrual budgets and the consolidated accrual Budget for 2003-04.

#### **Progress**

A Post-Implementation Review of the Integrated BMFRS was finalised in September 2002. Enhancements identified during the Post-implementation Review were completed, tested and implemented by December 2002. These enhancements to the Integrated BMFRS enabled the collection of agency accrual budget data for the preparation of agency accrual budgets and the consolidated accrual Budget for 2003-04. The Integrated BMFRS replaced the Accrual Budgeting Workbook used to develop the 2001-02 and 2002-03 Budgets.

Enhancements were also completed to enable the production of management and Budget Paper reports on an accrual basis, the aggregation of accrual data into opening balance sheets

during the annual system rollover processes and the introduction of a new chart structure to assist in data collection and data quality.

Future enhancements are planned to improve enquiry tools for greater data analysis, development of reports in accordance with the new financial reporting requirements and the refinement of some processes used during the development of the 2003-04 Budget to streamline the development of the 2004-05 Budget and the preparation of 2003-04 financial reports.

#### ***2003 Strategy***

***By 28 February 2004, complete enhancements to BMFRS associated with the improvement of enquiry tools for data analysis and the streamlining of system processes for the 2004-05 Budget.***

***By 30 June 2004, complete enhancements to BMFRS to enable the development and production of reports for financial reporting under the new financial reporting framework.***

### **3.3.5 TFRS Mandatory Data Requirements**

Quality and reliability of data is vital to the accrual Budget process, where accrual information is regularly collected, monitored and consolidated. The information necessary to produce the statements required under the accrual budgeting framework is sourced from numerous agency financial systems. Treasury's information requirements are set out in the Treasury Financial Reporting System (TFRS) Mandatory Data Requirements (MDR). Agencies are required to report against TFRS mandatory data codes.

Implementation of the accrual budgeting framework required changes to the TFRS Mandatory Data Requirements to enable the development of agency accrual budgets, the consolidated accrual Budget and periodic Budget reports.

Issues were identified with the quality and reliability of accrual data provided to Treasury through the TFRS Mandatory Data Requirements in 2000-01 and 2001-02.

Given the need to change agency systems and systems changes required to BMS to meet accrual reporting requirements, the 2003-04 Budget was prepared using the current chart structure. It was not feasible to undertake the implementation of the new chart structure prior to the commencement of the Budget processes.

#### **2002 Strategy**

During 2002-03, Treasury will revise the current TFRS Mandatory Data Requirements with changes to the chart of accounts to take effect from 1 July 2003.

## **Progress**

Treasury has revised the current TFRS Mandatory Data Requirements. The revised chart structure was implemented in June 2003 and took effect from 1 July 2003. The Integrated BMFRS uses the new chart structure for 2003-04. Agencies have revised their 2003-04 charts to incorporate the new TFRS Mandatory Data Requirements.

No major reviews of the TFRS Mandatory Data Requirements are planned during 2003-04. Ongoing review and maintenance of the TFRS Mandatory Data Requirements will be a standard task during 2003-04 and future years.

### **3.3.6 Amendments to financial management legislation**

The move to an accrual based Budget presentation required changes to external financial reporting, including the contents and timing of reports, to align with the new framework.

The Government has both statutory and other non-legislated public reporting requirements. The statutory reporting requirements are imposed under the *Financial Management and Audit Act 1990* (FMAA) and its Regulations. Other reporting requirements arise under both the Australian Accounting Standards and the Uniform Presentation Framework, which incorporates the Government Financial Statistics (GFS) framework and the requirements of the Australian Loan Council.

Under the FMAA, the Consolidated Fund Outcome is the sole headline Budget measure and statutory reporting centres upon the outcomes of the Consolidated Fund and the Public Account. Under the Accrual Budgeting Framework, headline measures will be based upon the Uniform Presentation Framework (UPF) as it applies to the General Government Sector. The Consolidated Fund Outcome will become a supplementary measure.

#### **2002 Strategy**

By October 2002, Treasury will undertake a review of the State's financial and statistical reporting requirements and, subject to Government approval, prepare legislative amendments to the FMAA by 30 April 2003.

## **Progress**

Treasury reviewed the State's financial and statistical reporting requirements and prepared a Discussion Paper in February 2003 recommending a revised financial reporting framework for the State. The Discussion Paper recommended the introduction of a financial reporting framework that will rationalise, and improve, the quality of financial information provided by the Tasmanian Government. This would be achieved through the introduction of a half yearly (replacing the Quarterly Statement of the Consolidated Fund) and annual reporting series (replacing the annual Treasurer's Statements). The new reporting series would incorporate UPF reporting requirements as well as providing additional commentary

including explanations of the reasons for any changes in financial projections and major differences between original estimates and actual results for the year.

Cabinet endorsed the recommendations of the Discussion Paper in May 2003 and the *Financial Management and Audit Amendment Act 2003* received Royal Assent on 4 July 2003.

The amendment of the FMAA also addressed two additional external financial reporting requirements namely:

- amending section 27 of the FMAA to enable the Auditor-General to publish a special report when Parliament is not sitting; and
- bringing forward the date by which agency and Government Business Enterprise annual reports are to be tabled in Parliament from 30 November each year to 31 October from 2004.

All changes to the external reporting framework will take effect in respect of the 2003-04 financial year. Systems and processes will be reviewed and changed as required during 2003-04 to enable the production of the new reporting series.

### ***2003 Strategy***

***By June 2004, amend financial and statistical reporting systems and processes to give effect to the new financial reporting framework.***

### **3.3.7 Education and Communication Program**

The introduction of accrual budgeting impacts on a number of key stakeholders, including:

- the Treasurer and other members of Cabinet;
- Budget Committee;
- Members of Parliament;
- Agencies;
- Budget Management Branch of Treasury; and
- Government Finance and Accounting Branch of Treasury.

Treasury aims to ensure that all decision-makers utilising accrual budgeting information have a sufficient understanding of accrual budgeting concepts to meet their needs. A communication strategy is an essential part of the accrual budgeting project. The communication strategy will ensure that all key stakeholders are provided with appropriate information to assist with the changeover from cash to accrual budgeting.

## 2002 Strategy

During 2002-03, Treasury will:

- facilitate a communications strategy to address the accrual budgeting information needs of all key stakeholders; and
- facilitate an education program to assist agencies in implementing accrual budgeting.

## Progress

During 2002-03, Treasury developed a communications strategy to address the accrual budgeting information needs of all key stakeholders. The communications strategy was endorsed by the Accrual Budgeting Steering Committee and subsequently approved by the Treasurer in October 2002.

Further education and training courses were provided to support the introduction of accrual budgeting during 2002-03. Specialist training in accrual accounting principles and practices for Treasury Budget Analysts was provided in November 2002. In addition, Treasury facilitated a series of training courses for budget staff in agencies in late 2002 and early 2003. These courses addressed changes in Budget development and management associated with accrual budgeting, as well as changes to business systems.

Future training and education needs arising from the introduction of accrual budgeting will be addressed as part of the detailed Financial Management Education and Training Program which is currently being developed. This Program is addressed in more detail in Chapter 7 - *Education and Communication* of this Update Report

### 3.3.8 Budget management

The accrual budgeting framework requires a greater emphasis on the management of other sources of funds, in addition to the Consolidated Fund. Budget development processes will extend beyond the determination of agency appropriations to an assessment of agency total resource estimates and their impact on the General Government Sector headline Budget measure.

Budget management, particularly in regard to non-Consolidated Fund transactions, will be enhanced through expanded Budget Management Guidelines and the introduction of additional Treasurer's Instructions.

In accordance with the approved accrual budgeting framework, agency accrual budgets will be prepared in accordance with Australian Accounting Standards. This requires the separate disclosure of administered items as currently presented for financial reporting purposes. To separately identify administered items for Budget purposes requires a review of those items currently classified as administered. The review will examine issues such as consistency with the financial reporting definition and budget presentation issues.

## 2002 Strategy

Treasury will:

- review and expand the existing Budget Management Guidelines to support accrual budgeting by November 2002 and, if required, introduce new Treasurer's Instructions by May 2003; and
- by November 2002, review the agency classification of administered and controlled for Budget purposes.

## Progress

Revised Budget Management Guidelines were completed and approved by the Treasurer in May 2003. The revised Budget Management Guidelines were presented to Budget Committee in August 2003 for approval and subsequently submitted to Cabinet for endorsement.

An interim review of agency classification of administered and controlled activities for Budget purposes was completed in November 2002. The review concluded that, given the level of change associated with the introduction of Accrual Budgeting, a change in the classification of administered and controlled activities for Budget purposes should be deferred. Rather than undertaking a separate review, the classification of administered and controlled items will be integrated into the Review of the Output Budgeting Methodology the report on which is to be submitted to the Treasurer in October 2003.

Implementation of revised administered and controlled classifications will require consultation with agencies and updating of agency data on the Budget Management System.

## 2003 Strategy

*By September 2003, present the revised Budget Management Guidelines to Budget Committee for approval and to Cabinet for endorsement.*

*By December 2003, consult with agencies on the implementation of revised administered and controlled classifications for Budget purposes.*

*By September 2003, complete a Post Budget Review of the 2003-04 Budget development process. Recommendations from the review will be incorporated into the 2004-05 Budget development process.*

### 3.3.9 Review of the Budget process

The annual Budget cycle is a continuous process, which commences soon after the passage through Parliament, in June, of the Consolidated Fund Appropriation Act, for the

forthcoming Budget year, and finishes with the passage of the following year's Appropriation Act through Parliament. The final Budget documents represent the culmination of an extensive process of review and analysis of the Government's finances.

Treasury continually seeks to refine the annual Budget process and improve the quality of information provided in the Budget documents. To assist in the achievement of this aim, Treasury will conduct a review and examine all aspects of the 2002-03 Budget process to identify opportunities for enhancement.

#### 2002 Strategy

By November 2002, Treasury will undertake a review of the Budget development process, including:

- evaluating means of keeping agencies better informed on the overall state of the Budget; and
- reviewing the Pre-Budget report format to assist agencies and Budget Committee in developing the 2003-04 Budget.

#### Progress

Treasury, in consultation with the Department of Premier and Cabinet, reviewed the Budget development process and, where required, amended the Budget development process to more fully incorporate whole-of-government approaches into the development of the Budget to ensure that the Budget reflected the Government's policy priorities. Amendments to the Budget development process included:

- Treasury and the Department of Premier and Cabinet promoting a greater awareness amongst agencies of whole-of-government approaches to Budget development;
- the communication of Cabinet endorsed Tasmania *Together* priority benchmarks for 2003-04 and 2004-05 to agencies addressed in more detail in section 3.2.1;
- additional direction and support being provided to agencies for the development and submission of cross-agency Budget initiatives, including the identification of the linkages between the agencies involved and the nomination of a coordinating agency, in Pre-Budget submissions;

Treasury is committed to achieving ongoing improvement of the Budget development process. In this regard, a post Budget review of the 2003-04 Budget process will be conducted by August 2003. Findings and recommendations from the review will be incorporated into the 2004-05 Budget development process.

### ***2003 Strategy***

***By August 2003, complete a post Budget review of the 2003-04 Budget development process. Recommendations from the review will be incorporated into the 2004-05 Budget development process.***

## **3.4 New initiatives**

### **3.4.1 Budget Management and Financial Reporting System**

The Budget Management System (BMS) was developed for cash based budgeting and includes both the Consolidated Fund and Special Deposits and Trust Fund, enabling agency Budgets to be presented in the Budget Papers on a total sources of funds basis. Since the initial development of BMS, a number of enhancements have been carried out on an incremental basis without a major review of the system operations

In 2001-02, the BMS (together with the Public Account Reporting System and the Public Account Cash Management System) were integrated with the Budget Management and Financial Reporting System (BMFRS), representing a major change to the method of collecting data from agencies and the interdependencies between the three modules of the BMFRS. The collection of data from agencies is now based on an agency database that is a replica of the core Treasury database.

BMFRS was enhanced to allow the presentation of the 2003-04 Budget on an accrual basis incorporating both Uniform Presentation Framework and Australian Accounting Standard bases of reporting.

The move to Accrual Budgeting for the 2003-04 Budget has put additional requirements on the BMFRS from both system and reporting aspects and it is now appropriate to assess the strategic direction of BMFRS to ensure it is able to satisfy all future needs of key stakeholders.

A clear future direction for budgeting and financial reporting systems is critical for the effective financial management of the State.

### ***2003 Strategy***

***By 30 June 2004, develop a scoping paper in respect of the strategic direction of the Integrated BMFRS, to ensure it satisfies all future needs of key stakeholders.***

## 4 Financial management-government departments

### 4.1 Progress to date

The Financial Management Reform Strategy has resulted in considerable improvements in the financial management of agencies.

There have been significant improvements in the accountability of Government and agencies for financial performance and management of total resources. Commencing with 2003-04 all financial and statistical reports and statements, including the State Budget papers, will be presented on an accrual basis.

During 2002-03, Treasury implemented a number of enhancements to systems. These included enhancements to the Public Account Cash Management System (PACMS) in support of the implementation of accrual budgeting. In addition, the Accrual Consolidation Reporting Application (ACRA) was fully implemented to provide a tool for accrual budgeting and actuals reporting at a whole-of-government level.

In addition, in 2002-03, Treasury, in conjunction with agencies, commenced a full review of the Treasurer's Instructions. The initial phase of this review was completed in May 2003. The review of the remaining TIs and the development of new TIs relating to corporate risk, management and internal controls will be undertaken in 2003-04.

### 4.2 Continuing Initiatives

#### 4.2.1 Cash management

In December 2001, Treasury implemented the PACMS within the integrated Budget Management and Financial Reporting System (BMFRS) to collect agency cash flow forecasts for the Budget year commencing from 2002-03.

The information collected by Treasury through PACMS is used for determining short and long-term cash management activities. It provides a more flexible and efficient method of preparing agency cash flow forecasts.

#### 2002 Strategy

By November 2002, Treasury will undertake major enhancements to PACMS to support the implementation of accrual budgeting.

## Progress

During 2002-03, enhancements were made to PACMS with the main objective of supporting the implementation of accrual budgeting. This process was completed in May 2003, with the new version of PACMS being implemented during June 2003. The enhancements made to PACMS included:

- supporting accrual budgeting requirements by providing PACMS with the ability to conduct a transaction type restructure as part of the new chart of accounts. The transaction type restructure was performed on 1 July 2003;
- creating new detailed reports. The new detailed reports assist agency users in accurately analysing cash flow estimates and thus facilitate greater precision in the provision of cash flow data; and
- improving the useability of PACMS.

Only enhancements will be required to PACMS during 2003-04 to continue to improve user functionality.

### 4.2.2 Whole-of-government risk management

While the primary responsibility for identifying and implementing risk management programs resides with individual agencies, the development and implementation of risk management standards for the inner-Budget sector will maximise the potential benefits of risk management within agencies.

The Tasmanian Risk Management Fund (TRMF) manages the risk to which the Tasmanian Government is exposed. All inner-Budget sector agencies participate in the TRMF, which commenced operation from 1 July 1999.

#### 2002 Strategy

In relation to risk management, Treasury will:

- prepare an annual report on the activities of the TRMF during 2001-02, by November 2002;
- finalise a Motor Vehicle Fleet Purchase and Use Policy by March 2003; and
- conduct a tender process and appoint panels of pre-qualified providers for each category of service provider to the TRMF, by June 2003.

## **Progress**

The publication of the TRMF 2001-02 Annual Report was delayed due to difficulties in finalising the financial statements, the preparation of which was outsourced. The report was published in April 2003. The 2002-03 TRMF Annual Report will be completed by October 2003.

A draft Government Fleet Purchase and Use Policy document is currently being developed. Agencies can elect to adopt the policy in full or else use it as a basis from which to develop their own policy. The information gathering and consultative phase of this project was completed in June 2003. It is anticipated that the policy will be finalised by September 2003.

The tender process to appoint panels of pre-qualified providers for each category of service provider to the TRMF was postponed due to staff turnover and other competing priorities, including managing a tender process to appoint an actuary for the Fund. The appointment of panels of pre-qualified service providers will be completed by June 2004.

During 2003-04, Treasury will undertake a thorough review of insurance information that each agency has provided to the TRMF from sources such as asset registers and risk audits. As part of this review, Treasury will also review its current insurance classes and the calculation of various premiums. This review will be carried out to ensure that adequate cover is provided and contributions are being collected from each participating agency and that contributions are appropriately allocated. This review is to be completed by December 2003.

Due to the high profile and complexity of medical indemnity claims, the Fund intends to undertake further research into this sector and the nature of existing claims in order to further improve the management of medical malpractice liabilities.

### **2003 Strategy**

#### ***In relation to risk management:***

- ***prepare an Annual Report on the activities of the TRMF during 2002-03, by November 2003;***
- ***finalise a Motor Vehicle Fleet Purchase and Use Policy by November 2003;***
- ***review agency contributions and the calculation of premiums by December 2003;***
- ***examine options to improve the management of medical malpractice liabilities, by December 2003; and***
- ***conduct a tender process and appoint panels of pre-qualified providers for each category of service provider to the TRMF, by June 2004.***

### 4.2.3 Reform of property services

In July 1999, the Government approved the Office Accommodation and Property Services Strategic Plan. The Plan provides for Government withdrawal from ownership of commercial office property over an indicative five year period through a divestment strategy and the progressive devolution to agencies of responsibility for property services.

The divestment of individual properties will proceed on a case-by-case basis, with each sale subject to the approval of the Treasurer. The Plan requires consultation with tenant agencies and the analysis of each property to determine the most appropriate method of disposal.

From 1 July 1999, responsibility for single and simple multi-tenanted office leases over \$100 000 was devolved from Treasury to agencies. Three multi-tenanted leasehold buildings continue to be managed by Treasury. These will be retained in the Treasury property portfolio and reviewed for devolution to tenant agencies prior to the expiry of each lease.

#### 2002 Strategy

During 2002-03, Treasury will continue to divest the Government owned office portfolio, arranging the sale or transfer of properties in accordance with the Office Accommodation and Property Services Strategic Plan.

### Progress

Since the implementation of the Office Accommodation and Property Services Strategic Plan in 1998, 14 Government office properties have been sold and five have been transferred to user agencies. Four properties were divested during 2002-03.

At 30 June 2003, the remaining Government owned office portfolio consisted of 17 buildings, ranging from large complex multi-storey buildings to small regional offices. Three properties will be retained in Government ownership, two properties are currently listed for sale, while 10 other properties are currently subject to sales investigations.

#### 2003 Strategy

*During 2003-04, continue to divest the Government owned office portfolio, arranging the sale or transfer of properties in accordance with the Office Accommodation and Property Services Strategic Plan.*

### 4.2.4 Asset management

Treasury released the Strategic Asset Management Framework in May 1997. The purpose of the Framework is to enhance the efficiency and effectiveness of the returns from assets

controlled by agencies. Maximising returns from Crown assets assists the Government in achieving its Fiscal Strategy targets.

Agencies, with significant asset holdings, develop Strategic Asset Management Plans (SAMPs). Given the time that has elapsed since the issue of the Strategic Asset Management Framework, Treasury will review the control and management of Crown assets during 2003-04. The review will include consideration of the definition of Crown land, the procedures for assets sales and leases, the distribution of proceeds and the operation of the Crown Lands Administration Fund. The review will also consider whether the Framework should apply to plant and equipment, IT infrastructure, and real estate.

#### 2002 Strategy

By June 2003, Treasury will prepare and submit to Budget Committee, in consultation with agencies, a report on revised Strategic Asset Management Plan (SAMP) processes, reflecting the new accrual budgeting framework.

### Progress

The review of the SAMP processes remains a high priority. However, in 2002-03, the implementation of Accrual Budgeting utilised more resources than originally anticipated. Consequently, the review of the SAMP processes has been delayed until 2003-04. Treasury is currently in the process of assessing the scope of the SAMP review.

#### 2003 Strategy

*By June 2004, prepare and submit to Budget Committee, after consultation with agencies, a report on revised Strategic Asset Management Plan (SAMP) processes, reflecting the new accrual budgeting framework.*

### 4.2.5 Financial systems strategic review

A number of systems associated with financial management and reporting by agencies underpin the successful implementation of the Financial Management Reform Strategy. Many of the financial systems implemented in the mid 1990s require updating to take advantage of technology developments.

At the Financial Management Forum on 4 March 2002, three inter-agency Working Groups were established to progress the most important financial systems issues. The Working Groups, and their objectives, include:

1. *Finance One* - The Finance One Working Group (convened by Treasury) was formed to develop a whole-of-government approach to the management of Finance One, the financial management information system used by the majority of inner-Budget agencies. The aim of

the Group was to investigate issues relating to obtaining improved value for money and a strategic partnership arrangement, on a whole-of-government basis, with the service provider.

2. *Common Chart of Accounts* - Accurate, timely and consistent data is essential for financial and statistical reporting and financial management decision-making. The Chart of Accounts Working Group (convened by the Department of Health and Human Services) investigated the feasibility of implementing a standard chart of accounts for both Treasury whole-of-government systems and agency budget and general ledger systems.

3. *Budget Systems* - At present, there is a whole-of-government budgeting system, but no common budget system for use by agencies. The Budget Systems Working Group (convened by the Department of Justice and Industrial Relations) examined the issues associated with adopting a common agency system. The aim of the Group was to prepare a scoping paper outlining the need for, and requirements of, a common whole-of-government agency budget system.

#### 2002 Strategy

In March 2003, Treasury will convene a second Strategic Planning Day to progress the ongoing management of financial systems reform.

Treasury will continue to provide administrative support to the financial systems inter agency working groups. By December 2002:

- the Finance One Working Group will prepare a Discussion Paper outlining the most appropriate means of obtaining improved value for money and a strategic partnership arrangement, on a whole-of-government basis, from our financial management information system service provider;
- the Common Chart of Accounts Working Group will prepare a Discussion Paper defining the user requirements for a common chart of accounts and investigating the feasibility of introducing such a chart; and
- the Budget Systems Working Group will prepare a scoping paper defining the user requirements for a common agency budget system.

#### **Progress**

The second Strategic Planning Day was held on 27 March 2003. Each of the Working Groups reported on the progress made toward achieving their objectives and further areas of priority were identified, including:

1. *Finance One* - The Finance One Working Group completed a Discussion Paper in February 2003 outlining a proposed way forward toward a strategic whole-of-government approach. The Inter Agency Steering Committee (IASC) endorsed the approach on 14 March 2003.

The Discussion Paper noted that, whilst many of the benefits of a whole-of-government approach may be intangible or difficult to quantify at this stage, the benefits of a whole-of-Government arrangement could be expected to include:

- achieving improved value for money;
- more effective implementation in relation to changes or developments (particularly in the reimplementation of financial management information systems following agency restructures);
- clarification of the roles and responsibilities of the contract manager, contractors, end users and where appropriate other interdependent or related groups;
- continuous improvement due to increased opportunities for coordinated, strategic input to system development through enhanced communication between agencies and the system provider; and
- evaluation of business requirements against contract performance and identification of any changes that would benefit future contracts.

Given the potential benefits, the IASC endorsed the establishment of a whole-of-government Financial Systems Management Group to progress negotiations with the financial management information system provider, with the aim of negotiating a strategic partnership agreement, including a single whole-of-government contract and contract management arrangements.

The Financial Systems Management Group was established in May 2003. The Group will give consideration to the scope of services to be negotiated with the Financial Management Information System (FMIS) provider, and future contract management arrangements, during 2003-04.

*2. Common Chart of Accounts* - The Working Group finalised a Discussion Paper in October 2002 and its recommendations were endorsed by the Financial Management Forum of 31 October 2002. The Working Group recommended deferring further consideration of a standard chart implementation subject to a reassessment in October 2004. At this stage, the significant costs involved in making the transition to a standard chart outweigh the potential benefits.

The benefits of a standard chart of accounts were found to be improved data quality, improved consistency of data, reduced resources required to maintain data quality and improved standardisation of finance system structures. The costs of a standard chart include a possible increase in agency code length, increased difficulty in undertaking agency restructures and the significant implementation costs, in the order of \$1 million.

As a consequence of the findings of the Working Group, Treasury simplified the current chart structure and issued revised Treasury Financial Reporting System (TFRS) Mandatory Data Requirements (MDR) which took effect from 1 July 2003. This initiative should assist in achieving the overall objective of improved data quality and consistency of agency information.

3. *Common Budget System* - The Budget Systems Working Group completed a Scoping Paper defining the user requirements for a common agency budget system. The Paper was submitted to the March 2003 meeting of the IASC. Subsequently, the IASC:

- endorsed in principle the development of detailed specifications for a common agency budget development and management system;
- agreed to act as the Steering Committee for the project; and
- requested the Financial Management Forum to develop a proposal to resource the project.

At the March 2003 Financial Management Strategic Planning Day it was resolved to form a second Working Group to fulfil the recommendations agreed by the IASC. The Working Group will report to the IASC on a monthly basis, with draft specifications to be prepared by October 2003. If the system is to proceed, tenders will be let in 2004-05.

#### **2003 Strategy**

***In March 2004, Treasury will convene a third Strategic Planning Day to progress the ongoing management of financial systems reform.***

***Treasury will continue to provide administrative support to the inter agency working groups. By June 2004:***

- ***the Financial Systems Management Group will have undertaken negotiations with the common financial management information systems provider with the aim of developing a strategic whole-of-government partnership agreement and contract management arrangements; and***
- ***the Budget Systems Working Group will have prepared detailed specifications for a common agency budget development and management system.***

#### **4.2.6 Accounting policy**

The Secretary of the Tasmanian Department of Treasury and Finance is Chair of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC). HoTARAC advises Heads of Treasuries (HoTs) on emerging issues and their implications for accounting, reporting and financial management, relevant to the Commonwealth, State and Territory Governments. HoTARAC's terms of reference specify that the Committee is to:

- develop a consensus view (if possible) on all major accounting and public finance reporting issues for submission to HoTs. This will include all significant public sector accounting and reporting issues being addressed by the Australian Accounting Standards Board (AASB), the Australian Bureau of Statistics and the Australian Council of Auditors General;
- undertake specific policy or research projects as directed by HoTs; and

- provide a forum for the development and exchange of ideas and research on contemporary financial management reforms.

Treasury provides secretariat support to HoTARAC and, jointly with other jurisdictions, develops public sector positions on accounting and reporting issues.

Treasury provides advice to agencies on accounting policy issues through the Treasurer's Instructions and guidelines issued under the FMAA. In addition, Treasury and the Auditor-General consider interpretative issues arising from Australian Accounting Standards.

#### 2002 Strategy

Treasury will continue to provide secretariat services to HoTARAC until 31 December 2002.

Treasury will continue, with other State, Territory and Commonwealth Treasuries, to develop public sector positions on accounting and reporting issues.

#### Progress

The Tasmanian Treasury provided secretariat services to HoTARAC during 2002-03. In November 2002, the Secretary of Treasury was re-appointed as Chair until 31 December 2004, after which time the chairmanship, and responsibility for secretariat support, is expected to move on a rotational basis to another Australian jurisdiction.

During 2002-03, HoTARAC provided comment, undertook research and participated in technical meetings in relation to a number of emerging accounting and reporting issues, including:

- convergence of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP);
- Private Sector Provision of Public Infrastructure;
- convergence and harmonisation with International Accounting Standards, including the preparation of submissions on Exposure Drafts released by the Australian Accounting Standards Board (AASB) in relation to the adoption of International Accounting Standards; and
- the role of the Public Sector Committee of the International Federation of Accountants.

In November 2002, the Financial Reporting Council gave the AASB a strategic direction to pursue the harmonisation of GFS and GAAP with the objective of achieving a single framework for Government reporting and a single set of Government reports.

HoTARAC established a Working Group in March 2003 to identify technical, conceptual and logistical issues relating to convergence. This Working Group comprised representatives from the Commonwealth, State and Territory Treasuries, the Australian Bureau of Statistics, the Australian Accounting Standards Board and the Commonwealth Department of Finance

and Administration. The Working Group prepared a series of papers addressing these issues which were endorsed by HoTARAC in June 2003. Recommendations and papers were subsequently approved by HoTs in July 2003 for submission to the AASB in August 2003.

#### **2003 Strategy**

*During 2003-04, continue to provide secretariat services to HoTARAC.*

*During 2003-04, continue, with other State, Territory and Commonwealth Treasuries, to develop public sector positions on accounting and reporting issues.*

#### **4.2.7 Treasurer's Instructions**

Treasury conducts an ongoing review of the Treasurer's Instructions. However, in recent years the review has concentrated upon responding to the increasingly significant and rapid changes to Accounting Standards.

At the Financial Management Strategic Planning Day, in March 2002, agencies proposed a review of the Treasurer's Instructions, dealing with processes and procedures, as these Treasurer's Instructions have not been reviewed for a number of years. Treasury agreed to undertake a full review of the Treasurer's Instructions, in conjunction with agencies, during 2002-03.

#### **2002 Strategy**

By October 2002, Treasury will prepare a scoping paper outlining the process and extent of the review of the Treasurer's Instructions issued under the *Financial Management and Audit Act 1990*.

Revised Treasurer's Instructions and associated guidelines will be issued by 31 May 2003.

#### **Progress**

Treasury, in conjunction with agencies, commenced a full review of the Treasurer's Instructions during 2002-03. The Financial Management Forum was consulted in October 2002 as to the scope of the review. In January 2003, Treasury issued a Discussion Paper detailing the approach to be adopted for the review process. This Paper was subsequently endorsed by agencies. The initial phase of the review was completed in May 2003. It involved the review of the structure and content of a range of Treasurer's Instructions to:

- impose a consistent structure, namely the adoption of a "Black Letter/Grey Letter" approach to distinguish mandatory material (Instructions) from permissive material

(Guidelines and Explanatory Material) and the introduction of a template to standardise presentation and provide a minimum standard of background information;

- establish the use of consistent terminology and simplified language;
- remove obsolete and duplicate material; and
- combine those Treasurer's Instructions which cover related material.

The review of the remaining Treasurer's Instructions and the development of new Treasurer's Instructions relating to corporate governance, risk management and internal controls will be undertaken in 2003-04.

In the course of discussions held with agencies in July 2003 relating to the financial management education and training project, several agencies advised that they were currently developing a financial management manual. The purpose of the manual was to provide a single reference point on financial management issues for managers within the agency. By October 2003, Treasury will explore with agencies the possibility for a common approach to the development of agency specific financial management manuals, possibly through an inter agency Working Group.

#### ***2003 Strategy***

***Treasury will complete the review of Treasurer's Instructions by 31 December 2003 and reissue the revised Treasurer's Instructions by 31 January 2004.***

***Treasury will present a proposal for a common approach to the development of agency specific financial management manuals at the October 2003 Financial Management Forum.***

#### **4.2.8 Whole-of-government Accrual Consolidation Reporting Application**

There are two main accrual-based standards for public sector statistical and financial reporting in Australia. Treasury prepares financial information, in accordance with the requirements of Australian Accounting Standard AAS 31 *Financial Reporting by Government* and Government Finance Statistics (GFS).

To facilitate the production of consolidated accrual financial, statistical and budget information, Treasury recognised the need for an information technology system for consolidating, analysing and reporting on accrual-based information. This system is called the Accrual Consolidation Reporting Application (ACRA). The core of this system is the development of a database to record accrual information.

The purpose of ACRA is to manage the consolidation accrual data, collected from all Government entities, and provide a flexible reporting facility to satisfy Treasury's reporting requirements, including both the Consolidated AAS Statements and UPF Accrual Statements.

During 2001-02, Treasury identified a number of enhancements to improve the effectiveness of ACRA as a powerful management-reporting tool. Overall, this improvement in functionality assisted the useability of the system to the end-user and increased the effectiveness and reliability of the data and the productivity of the system. Work commenced on functional specifications for these enhancements in February 2002 and enhancements were implemented in May 2002.

#### 2002 Strategy

By September 2002, ACRA enhancements will be completed to facilitate the production of:

- UPF reporting requirements in October 2002; and
- Consolidated Financial Statements for the State of Tasmania in November 2002.

#### **Progress**

Enhancements to ACRA to improve the effectiveness of ACRA as a powerful management reporting tool, which were identified during 2001-02, were fully implemented in September 2002. Changes to ACRA included:

- improvements to the facility for importing Budget data to make it less user intensive;
- further developments to assist in more efficient production of cashflow reports;
- the inclusion of General Purpose Classification (GPC) code to be incorporated into the Accrual Budgeting Workbook Routine; and
- minor maintenance and enhancements to improve the usability and functionality of ACRA.

These improvements in functionality further assist the useability of the system to the end-user and increase the effectiveness and reliability of the data and the productivity of the system.

ACRA was implemented to provide a tool for accrual budgeting and actuals reporting at a whole-of-Government level. Following the implementation of Accrual Budgeting and ongoing changes to actual reporting, the Integrated BMFRS will be used as the primary system for the provision of General Government reporting for Budget and actuals. A project to consider the future of ACRA will include a consideration of changes in the functionality of the Integrated BMFRS to accommodate present ACRA capabilities.

#### **2003 Strategy**

***By June 2004, complete a review of the functional requirements for Whole-of-Government Reporting.***

#### **4.2.9 Review of debt and investment policies and procedures**

A committee of senior Treasury officers manages State Debt with advice from the Tasmanian Public Finance Corporation (Tascorp). The Committee is governed by a Policy Framework and Guidelines.

In past years, the primary focus of the Committee was the consideration and approval of strategies which seek to issue and refinance debt to achieve the lowest interest costs and to utilise hedging in a proactive manner, where appropriate.

However, in recent years the focus on refinancing debt has become less relevant because the accumulation of cash assets within the Public Account has significantly reduced the debt refinancing burden for the State.

##### **2002 Strategy**

By December 2002, Treasury will prepare a discussion paper, reviewing debt management policies and procedures.

#### **Progress**

Treasury implemented the Public Account Cash Management System (PACMS) during 2001-02. PACMS allows improved ongoing management of the Government's cash resources, on both a short-term and long-term basis. In light of these changes, Treasury undertook a review of the State's debt management policies and procedures in 2002-03.

The review of debt management policies and procedures was completed and a report was submitted to the Treasurer in May 2003. The review recommended a number of changes to the debt management Policy Framework and Guidelines, including:

- expanding the role of the Committee to include consideration of both financial assets and Gross Debt. The expanded role was a response to the significant level of financial assets that have accumulated in the Public Account.
- adding an investment strategy to guide investment decisions. The investment strategy is based on maximising return, and specifies when investments can be made, what the Debt Management Committee should consider when making investments and provides direction on the appropriate investment terms;
- adding new performance measures for both financial asset and debt management, including debt servicing costs, value added and investment returns; and
- changing the name of the Debt Management Committee to the Financial Assets and Borrowings Management Committee, to reflect the expanded role of the Committee.

The Treasurer, in May 2003, approved the further review recommendations, together with the Financial Assets and Borrowings Management Committee Policy Framework and Guidelines.

A further review of the Financial Assets and Borrowings Management Committee Policy Framework and Guidelines will occur in 2005.

#### **4.2.10 Improving whole-of-government and agency banking practices**

The Tasmanian Government has contracts with the Westpac Banking Corporation (Westpac) for the provision of banking and revenue collection services, and with Australia Post for the provision of revenue collection services. In March 2001, agencies were surveyed to determine agency satisfaction with the services offered by Westpac and Australia Post. Generally, agencies were satisfied with the level of service provided pursuant to these contracts.

However, it was recognised that more information was needed from Westpac to enable agencies and Finance-General, from a whole-of-government perspective, to make better use of Westpac's transactional banking and revenue collection services and thereby achieve maximum value for money.

A banking seminar was planned for November 2002 to update agencies on changes in banking technology, and enable agencies that have introduced facilities such as BPAY, or the Payment Processing Service offered by Westpac, to more effectively report on these services.

Treasury, as part of its review of the Treasurer's Instructions also undertook to will develop Guidelines for Bank Account Management.

#### **2002 Strategy**

In November 2002, Treasury, in conjunction with Westpac, will conduct a banking seminar for agencies.

By November 2002, Treasury will develop Guidelines for Bank Account Management.

#### **Progress**

The planned banking seminar was held on 18-22 November 2002. Feedback received from agencies was very positive. The seminar covered issues in relation to banking services, the Tasmanian Government Card and electronic fraud. Following the seminar, Westpac committed to employing a dedicated client manager based in Hobart to manage issues in relation to both banking and Tasmanian Government Card services. The client manager will work with agencies to ensure that agency banking practices are conducted in the most efficient and cost effective manner.

A review was undertaken of the Treasurer's Instructions in December 2002 in relation to Guidelines for Bank Account Management. Treasury consulted with agencies and the Tasmanian Audit Office in relation to the proposed changes. The Treasurer approved the new Treasurer's Instructions and banking Guidelines in March 2003.

During 2002-03, an agency survey was completed as part of the review of the whole-of-government banking contract on transactional and revenue collection services. Issues raised in this survey have largely been addressed as a result of the commencement of Westpac's dedicated client manager in Hobart. Following the review, the Treasurer approved an extension of the contract with Westpac for transactional and revenue collection services until November 2006.

During 2003-04, Treasury will undertake a further review of transactional banking and revenue collection services to identify any areas of concern to agencies and will consider appropriate measures to address any issues identified.

#### **2003 Strategy**

*During 2003-04, Treasury will work with Westpac to encourage agencies to continue the migration to electronic, cost effective processes that assist better business practices for agencies and their clients.*

*By December 2003, Treasury will complete a further review of transactional and revenue collection services to identify any areas of concern to agencies and will consider appropriate measures to address any issues identified.*

#### **4.2.11 Departmental fees and charges**

*Costing Fees and Charges – Guidelines for use by Agencies* was issued in December 1998. The purpose of the Costing Fees and Charges Guidelines was to improve the basis on which fees and charges are applied and determined by Government agencies for certain goods and services provided to the community. A review of the Guidelines is appropriate to ensure that it is consistent with the overall financial management reform process of the Government. The review will cover any changes in the fee and charges environment, and any issues that may have arisen, in relation to basic concepts and principles, since the guidelines were released.

#### **2002 Strategy**

By March 2003, Treasury will review and issue new Costing Fees and Charges Guidelines.

## ***Progress***

With the priority given to the implementation of Accrual Budgeting in 2002-03, the review of the Costing Fees and Charges Guidelines was not completed by March 2003. However, revised Costing Fees and Charges Guidelines were distributed to agencies for comment in July 2003. The proposed changes to the third edition of the guidelines relate to:

- introduction of the Goods and Services Tax and the abolition of the Commonwealth Government Wholesale Sales Tax;
- inclusion of requirements resulting from National Competition Policy and the implications of competitive neutrality; and
- the introduction of the Accrual Budgeting Framework.

When all comments are received from agencies, they will be considered and incorporated into the revised guidelines. The revised guidelines will then be sent to the Budget Committee for approval by August 2003.

The Budget Committee has approved a proposed schedule for the implementation of the guidelines, which was sent to agencies with the revised Guidelines. The Department of Infrastructure, Energy and Resources, the Department of Primary Industries, Water and Environment, and the Department of Health and Human Services will be the first agencies to progress the implementation. These agencies were chosen on the basis that they return the majority of Government fees and charges to the Consolidated Fund. It is proposed to have these agencies implement the guidelines between August and December 2003. Following this, it is proposed that the Department of Education and the Department of Justice and Industrial Relations will implement the guidelines between January and April 2004. The remaining agencies will implement the Guidelines in 2004-05.

### ***2003 Strategy***

***By September 2003, review and issue new Costing Fees and Charges Guidelines.***

## **4.3 New Initiatives**

### **4.3.1 Review of Financial Management Legislative Framework**

During the past decade, there have been significant financial management reforms introduced in the Tasmanian General Government sector including the implementation of accrual reporting and accrual budgeting. However, the *Public Account Act 1986* and the *Financial Management and Audit Act 1990* (FMAA), which comprise the key components of the financial management legislative framework, have not been significantly reviewed to complement these changes. Only minor amendments have been made, most recently in July 2003 to introduce a new financial reporting framework for the General Government sector to accommodate the introduction of the accrual budget presentation.

While minor amendments have been made, and “workaround” solutions found, to enable reform to proceed, the Public Account Act and the FMAA are badly in need of a major

review to complement reforms introduced over the past decade and to accommodate contemporary financial management practices.

During 2003-04, Treasury will prepare a Scoping Paper outlining work undertaken to date and the process and extent of the review of the financial management legislative framework. This Scoping Paper will be used as the basis for consultation with major stakeholders, including the Treasurer. Subject to stakeholder views, Treasury will then prepare a Discussion Paper outlining the proposed financial management legislative framework and the process for its implementation to stakeholders.

During 2001-02, Treasury commenced a review of financial legislation governing State Authorities, recognising that there was a gap in the financial management legislative framework which only applied to Government businesses and Government agencies.

Treasury completed a Discussion Paper on standardising and regulating financial management and reporting in State Authorities in March 2003. As a consequence, accounting, annual reporting and strategic planning requirements for Statutory Authorities will be considered as part of the major review of financial management legislation to be undertaken in 2003-04.

#### **2003 Strategy**

***By October 2003, prepare a Scoping Paper outlining work undertaken to date and the process and extent of the review of the financial management legislative framework.***

***By December 2003, obtain endorsement from stakeholders, including the Treasurer, on the scope of the proposed review.***

***By April 2004, issue a Discussion Paper outlining the proposed financial management legislative framework and the process for its implementation.***

# 5 Financial management-procurement

## 5.1 Progress to date

The Tasmanian Government's procurement policy is based on four specific principles:

- value for money;
- open and effective competition;
- compliance with ethical standards and observance of a code of conduct; and
- enhancing opportunities for local businesses.

A key aim of the Government's procurement policy is to maximise opportunities for local businesses to compete, on a fair basis, for government contracts and to receive an increasing share of these contracts through being competitive with mainland firms on price and quality.

To achieve this aim, the Government has implemented a range of procurement reforms to enhance opportunities for Tasmanian small to medium sized enterprises (SMEs) to compete for government business.

The Procurement Advisory Group, established by the Government, continues to review and monitor government procurement policies and agency tendering processes, with a specific focus on enhancing the capacity of Tasmanian businesses to competitively bid for government business. Since its formation, the Group has overseen a number of significant initiatives including the online advertising of tenders, protection of local business from dumped goods, the development of a procurement complaints process and monitoring system, Tender Review Committees and processes for the disclosure of information.

The Government has two very clear objectives:

- giving Tasmanian business the information it needs to be able to successfully compete for government contracts, and
- helping local business work together to win bigger contracts.

Treasury continues to monitor the share of government contracts over \$50 000 awarded to local businesses by inner-Budget agencies, Government Business Enterprises, and State-owned Companies.

In 2001-02, the Government awarded 494 contracts (with a combined value of \$295.0 million). Of these, 404 were awarded to local contractors and suppliers, circulating \$211.0 million in the local economy. Tasmanian businesses competed for 88.3 per cent of government tenders with a value over \$50 000, during this period.

The online presence of procurement has been greatly expanded with the introduction of *www.purchasing.tas.gov.au*, consisting of a portal site with four sections: Winning Government Business; Tenders; Contracts; and Buying for Government.

The *www.purchasing.tas.gov.au* web site continues to be monitored and refined, including the updating of information on anticipated building and construction tenders to meet industry

demand, together with new tools to assist both government buyers and local businesses access information about government procurement.

## **5.2 Continuing initiatives**

### **5.2.1 Assisting agencies with procurement activities**

Treasury is pursuing a number of initiatives to enhance the skills and understanding of agency staff involved in procurement.

An on-line procurement guidance system, *Buying for Government*, will provide government buyers with ready access to accurate and easily accessible information about procurement policies and procedures, together with tools to streamline the procurement process.

In February 2002, following consultation with agencies, Treasury entered into a formal agreement with the Victorian Government Purchasing Board to become a member of the Procurement and Contracting Centre for Education and Research (PACCER) National Network. On 14 June 2002, the Treasurer signed the PACCER Ministerial Agreement with the Victorian Government. PACCER national network membership benefits include access to course materials for a number of procurement and contract management training courses developed and currently being delivered by PACCER.

In support of improving communication between Treasury and agencies, the Procurement Reference Group (PRG) was established by Treasury in April 2002 to provide a conduit for agency input into the development of procurement training, tools and policy. The PRG also facilitates discussion between agencies on procurement related issues, and helps to raise the profile of procurement within agencies. The Group's first task has been to oversee the development of procurement training and the conversion of relevant PACCER courses to reflect Tasmanian policies and guidelines.

In December 2002, Treasury released *Guidelines for Contractor Health and Safety Management for Tasmanian Government Building Works and Maintenance Services*. The Guidelines assist Government to meet its obligations under occupational health and safety and rehabilitation legislation, with the aim of reducing the number of workplace health and safety incidents and consequently improving productivity in the industry.

## 2002 Strategy

Treasury will:

- launch the first phase of the Buying for Government Web site by November 2002;
- in conjunction with the Office of the Crown Solicitor, review the current Government Information Technology Contract and order forms, to ensure they still meet the Government's requirements by March 2003;
- commence the delivery of Procurement Policies and Procedures sessions to buyers in agencies in September 2002;
- customise the PACCER course, *Introduction to Tendering and Contracting*, by November 2002; and
- assess the need for more specialised procurement training courses and determine the most appropriate delivery mechanisms by March 2003.

## Progress

The first phase of the new Buying for Government website went live on the [www.purchasing.tas.gov.au](http://www.purchasing.tas.gov.au) site in early January 2003. The existing purchasing guidelines have been completely rewritten and re-organised, the language simplified and the information made more concise. In addition, existing information has been supplemented by step-by-step guidelines and pro-forma documentation for many of the purchasing procedures that were previously left to the discretion of the buyer.

Treasury, in conjunction with the Office of the Crown Solicitor, has commenced a review of the current Government Information Technology Contract (GITC) and order forms, to ensure that they still meet the Government's requirements. However, the outcome of the review has been delayed until the findings of a collaborative GITC review process are finalised. The review is being undertaken by New South Wales and Queensland, with Tasmania being given the opportunity to provide comments. The outcomes of the review are not anticipated to be available until late 2003.

In March 2002, Treasury began a full review of Treasurer's Instructions, in consultation with agencies. This review commenced during 2002-03 and includes those Treasurer's Instructions in relation to procurement. Further information on the full review of TIs can be found in section 4.2.7.

In line with the Government's commitment to improve the knowledge and skills of government buyers and contract managers, procurement training for government buyers commenced in August 2002, in the form of a general awareness raising course, *Procurement Policy and Processes – An Overview*. The two-hour course provides participants with an overview of the Government's procurement policies, guidelines and processes. To date, 26 sessions have been conducted, attended by over 445 government buyers.

Treasury has recognised that there are indications that small to medium sized Tasmanian enterprises (SMEs) may not be as successful as anticipated when bidding for government

business. During 2003-04, Treasury will conduct a survey of SMEs and agencies with the objective of identifying tendering issues and other reasons which may affect the ability of Tasmanian SMEs to bid successfully.

In November 2002, tenders were called for the modification and delivery of the PACCER competency based procurement training courses. Following an evaluation process, Major Training Services Pty Ltd was appointed to modify the course material to align it with the policies and procedures of the Tasmanian Government procurement framework. The first course to be modified by Major Training Services, with input from the PRG, was the two-day *Introduction to Procurement and Contracting* course. Major Training Services Pty Ltd, and Contracting and Tendering Services Pty Ltd were engaged to deliver the courses, with the first session being delivered in April 2003, with additional courses scheduled for July, September, and November 2003. Education and training strategies, for 2003-04 in respect of procurement activities, are reported on in Chapter 7 *Education and Communication*.

During 2002-03, in recognition of the value of monitoring, benchmarking and analysing procurement and contracting activity, Treasury coordinated an audit of agency' procurement expenditure. The audit effectively required agencies to undertake a high level analysis of their purchasing, which is the first step in the development of a procurement profile. The analysis, based on 2001-02 data, provided a valuable snapshot of agencies total procurement expenditure.

### **2003 Strategy**

#### **Treasury will:**

- *review and rewrite the Treasurer's Instructions in relation to procurement, by December 2003;*
- *in conjunction with New South Wales, Queensland and the Office of the Crown Solicitor, participate in the review of the current Government Information Technology Contract and order forms to determine if they are still meeting the Government's requirements, by December 2003;*
- *survey SMEs and agencies, to identify tendering issues and identify why Tasmanian SMEs are unsuccessful when bidding for Government business, by December 2003;and*
- *based on the survey of SMEs and agencies, identify and improve areas of ambiguity in tender documentation and processes, by June 2004.*

### **5.2.2 Internet commerce**

Electronic commerce solutions offer a range of benefits to streamline and improve the procurement function, providing electronic purchasing options to individuals, businesses and governments that range in complexity from simple purchases over the Internet to electronic marketplaces.

Case studies have shown that there are considerable benefits in progressing eProcurement. In relation to buyers, it creates efficiencies through streamlining and automation of purchasing processes and provides better product and pricing choice. In relation to suppliers, it can create efficiencies, particularly if interfaced with backend systems, and it can provide greater satisfaction from prompt payment of invoices. It can also open up new markets.

The Government is a major buyer in Tasmania, spending millions of dollars on the procurement of goods and services. There are, therefore, significant efficiencies to be made (eg in reducing transaction costs, obtaining better value for money and making more informed choices and decisions). By furthering electronic procurement, the Government can also provide impetus to suppliers to conduct business on-line with other businesses and the general community.

During 2000, the Department of Premier and Cabinet (DPAC) secured funding for an eProcurement Pilot Project, to evaluate the use of business-to-government electronic procurement in two Tasmanian government agencies, and to investigate and assess the potential for introducing eProcurement more generally. In July 2002, the agency pilots were completed, with the outcomes and findings of the project to largely shape the future directions of eProcurement within Tasmanian Government.

In April 2002, agencies were surveyed to identify their current use of technology in undertaking their procurement functions, and to gather information on their procurement practices and IT environments. The results of the eProcurement in Government survey have been collated and a report was finalised in August 2002. The survey outcomes will be used in conjunction with the findings of the eProcurement Pilot Project Evaluation Report, to help identify future eProcurement strategies.

In January 2002, Treasury appointed a consultant to provide advice on, and identify options for, the implementation of an electronic tendering system for government agencies, which would allow tenderers the ability to download tender documents and lodge tenders electronically. Following extensive consultation with agencies and businesses, and a review of other jurisdictions systems, it was recommended that Treasury should consider adopting the eTendering solution of Northern Territory, with customisation to suit Tasmania's needs.

#### 2002 Strategy

During 2002-03, Treasury will:

- provide a facility for the downloading of tender documentation from the Tenders Web-site by 30 November 2002, and for the electronic lodgement of tenders by 31 January 2003; and
- continue to monitor the outcomes of the eProcurement Pilot Project and develop a proposal for the future implementation of eProcurement by government by 30 June 2003.

## Progress

In September 2002, the Northern Territory Government provided a copy of its eTendering System. However, upon closer examination it became apparent that the system as a whole would not be able to be modified for the Tasmanian environment, due to differences in system architecture and issues with coding. Instead, the Northern Territory's system was used as a guide in the development of code and design for a new Tasmanian eTendering System, which forms part of the *www.purchasing.tas.gov.au* site.

In April 2003, Treasury piloted the first phase of eTendering, involving user registration and downloadable tender documents. Following the successful advertising of a number of tenders with downloadable tender documents, the facility was offered to all agencies. In June 2003, Treasury completed online help and user manuals and delivered training to assist agencies with advertising tenders, including attaching tender documentation for users to download. As a result, agencies are now responsible for entering their own information electronically to advertise their tenders online. The system includes an option to automatically email details to the advertising contractor for publishing in the relevant newspapers. Further work will be undertaken in 2003-04 to evaluate the electronic lodgement of tenders.

In February 2003, an Evaluation Report on the Department of Premier and Cabinet's eProcurement Pilot Project including, lessons learned, was released, this was followed up by two major forums involving procurement and business representatives to discuss the outcomes of the project and the future for eProcurement in Tasmanian Government.

The key findings of the Pilot Project were that:

- potential for improvement exists across the full range of procurement activity;
- the level of e-readiness of suppliers in Tasmania is relatively low;
- Tasmanian Government agencies need to understand their procurement profile – what they buy, how much they buy and from whom; and
- an incremental approach to eProcurement, rather than a “big bang” directive, is more appropriate to effectively implement eProcurement.

Treasury is currently reviewing the outcomes of the Pilot Project, along with the results of the eProcurement in Government Survey, in order to develop future strategies and actions to progress eProcurement.

### ***2003 Strategy***

#### ***Treasury will:***

- ***provide a facility for the electronic lodgement of tenders by December 2003;***
- ***release a Discussion Paper “eProcurement in the Tasmanian Government – The Way Forward”, drawing together the findings of the eProcurement in Government Survey and the eProcurement Pilot Project, by October 2003; and***

- *in consultation with agencies, prioritise and implement the key strategies identified in the Discussion Paper eProcurement in the Tasmanian Government – The Way Forward, by June 2004.*

### 5.2.3 Strategic procurement

The devolution of responsibility for procurement to agencies in 1998-99 has required agencies to look more strategically at government procurement, with the intention of gaining substantial savings and linking procurement planning with organisational and government objectives and wider business planning processes.

The procurement of information technology goods and services is one area where there exists the potential for obtaining significant savings from a more strategic procurement approach. Treasury, in conjunction with the Department of Premier and Cabinet, plans to collect data from agencies to identify categories of IT purchases that could provide cost savings and other benefits through strategic sourcing arrangements.

A more strategic approach to agency procurement functions may lead to a better understanding by agencies of current procurement activities, and assist them to identify what they want to achieve through procurement (eg linking procurement decisions to service delivery outcomes) and clarify what is preventing them from achieving their procurement goals (such as limitations in systems, processes and skilled staff). Incorporating procurement into agency strategic planning processes, re-engineering of processes and improved training, will assist agencies to achieve their objectives.

Treasury will continue to investigate a range of other options to improve the efficiency and effectiveness of procurement activities, including:

- benchmarking of agency procurement policies and practices against government requirements;
- examining the scope for opening agency specific contracts to use by other agencies;
- the identification of opportunities for new standing offer arrangements and common use contracts; and
- the benchmarking of current common use contracts against contracts for similar goods and services in other jurisdictions.

## 2002 Strategy

### Treasury will:

- provide a Discussion Paper on Strategic Procurement in Government, to the Procurement Reference Group by 31 October 2002;
- in conjunction with the Department of Premier and Cabinet, collect data on agency IT procurement activities for analysis and development of strategic sourcing options by 30 June 2003; and
- by 30 June 2003, examine and report on options for further progressing Government objectives and delivering value for money through procurement procedures and policies.

## Progress

In October 2002, Treasury circulated a draft Discussion Paper, entitled *Strategic Procurement in Government*, to the Procurement Reference Group (PRG) for comment. The Paper builds on previous work by Treasury in this area including procurement profiling, and aims to stimulate thought and increase awareness, particularly within the senior management of agencies, of procurement and how it can be used to improve agency outcomes and achieve savings.

Treasury is currently considering ways to promote strategic procurement, including:

- publication of the Discussion Paper on the website and in booklet form;
- using case studies from agencies and other jurisdictions to show what can be achieved;
- promoting the concept at a Heads of Agency meeting; and
- officially launching the booklet, with a presentation from a key speaker from an organisation that has implemented, and benefited from, a more strategic approach to procurement.

During early 2003, Treasury consulted with the eServices Group and it was agreed that the most efficient means of collecting the data required by Treasury was to utilise a new electronic survey as a tool for collecting information from agencies in relation to expenditure on IT products and services. However, due to the technical problems, associated with the electronic data collection and storage methodologies, data collection did not commence until July 2003.

## **2003 Strategy**

### ***During 2003-04 Treasury will:***

- ***in conjunction with the Department of Premier and Cabinet, Treasury will collect and analyse data on agency IT procurement activities and develop strategic sourcing options by 31 December 2003; and***
- ***examine and report on options for further progressing Government procurement objectives and delivering value for money through more strategic procurement practices.***

## **5.3 New Initiatives**

### **5.3.1 Broaden Business Opportunities with Government Entities**

Government Business Enterprises and State-owned Companies, in conjunction with inner-Budget agencies, are major purchasers of goods and services in Tasmania. Together, they represent an important source of revenue to the Tasmanian economy. Whilst they all have differing purchasing needs, and operate in different commercial environments, it is important that they are encouraged to adopt best practice procurement to ensure that the Government's procurement strategies are followed.

Historically, GBEs and SOCs have not been bound by the Government's procurement policy as it may impact on their commercial viability, interests and flexibility.

However, the Government is strongly committed to supporting local industry while pursuing the objectives of value for money, competition and ethical conduct. The Government has written to GBEs regarding its commitment to supporting local business, requesting that they reflect this in their procurement activities.

Partnership Agreements with local councils are being implemented to introduce a number of strategies aimed at assisting local businesses, particularly small to medium sized enterprises (SMEs), to increase their share of government business. The State Government has already implemented these strategies, and relevant purchasing policy and process guidelines have been amended to ensure that these strategies are followed by government agencies.

Treasury's aim is to build stronger relations with GBEs, SOCs and local government, and create better linkages with each so that SMEs can readily identify business opportunities. Treasury's role will be to actively provide procurement resources, policies and practices of that may be beneficial to other organisations and assist with the Government's overall strategy of enhancing opportunities for local business. Treasury will liaise directly with both GBEs and SOCs to promote best practice purchasing.

### **2003 Strategy**

***During 2003-04, further pursue the Government's commitment to supporting local businesses, through utilising its procurement resources through:***

- ***participation in the development and review of Local Government Partnership Agreements to ensure that opportunities to incorporate procurement related initiatives are considered;***
- ***encouraging GBEs, SOCs and local government to utilise the tenders website to promote business opportunities to local SMEs; and***
- ***actively marketing of procurement training and associated tools developed for inner budget agencies, to GBEs, SOCs and local government.***

# 6 Financial management – Government Businesses and other State Authorities

## 6.1 Progress to date

Treasury has been involved in a range of activities to reform, and improve the financial performance and commercial focus of, Government businesses. These include:

- the sale, in September 1997, of the supply and warehouse functions of State Purchasing and Sales;
- the establishment of Metro Tasmania Pty Ltd as a State-owned Company (SOC) in February 1998;
- the sale, in April 1998, of Rehabilitation Tasmania, accompanied by the establishment of a new five-year contract for the delivery of public outpatient rehabilitation services by the purchaser;
- contracting out the management of the State light vehicle fleet to Fleetcare in May 1998;
- corporatisation of Tasmania's port authorities in 1998;
- the disaggregation, from 1 July 1998, of the former Hydro-Electric Corporation, into the Hydro-Electric Corporation and two SOCs, Transend Networks Pty Ltd and Aurora Energy Pty Ltd, as part of the structural reform of the Tasmanian electricity industry. A review of Community Service Obligations (CSOs) and Community Service Activities (CSAs) provided by the Hydro-Electric Corporation and Aurora Energy Pty Ltd respectively, was also undertaken;
- reform of the State's bulk water supply industry resulting in the transfer of the control of the three regional bulk water supply authorities to local government;
- dissolution of the Tasmanian Dairy Industry Authority, as at 30 June 2000, as part of the deregulation of the State's dairy industry;
- establishing TOTE Tasmania as a SOC in March 2001;
- amendment of the *Southern Regional Cemetery Act 1982*, in June 2002, to provide for the appointment of an expert board;
- the dissolution of the Egg Marketing Board as part of the deregulation of the State's egg production industry; and
- a review of the *Government Business Enterprises Act 1995* (GBE Act), resulting in enhancements to the framework under which Government Business Enterprises (GBEs) operate. The enhancements were made via the *Government Business Enterprises Amendment Act 2002* commencing on 27 November 2002.

The *Application of Competitive Neutrality Principles under National Competition Policy* (the Application Statement), released in July 1996, outlined the competitive neutrality principles applying to State Government business activities.

The primary objective of the competitive neutrality principles is to promote the efficient use of resources in public sector business activities, and eliminate resource allocation distortions arising out of the public ownership of entities engaged in significant business activities. Government businesses should therefore, not enjoy any net competitive advantage simply as a result of their public ownership, and should compete on fair and equal terms with private sector businesses.

The *Government Business Enterprises Act 1995* (GBE Act) provides a framework that enables Tasmania's GBEs to manage their operational affairs with greater independence and maximise their commercial performance, whilst providing for improved strategic oversight and accountability. This framework provides for enhanced economic efficiency and effectiveness of GBEs.

## **6.2 Continuing Initiatives**

### **6.2.1 The legislative framework for Government Business Enterprises**

In 1999, the GBE Act had been in operation for four years. At that time, Treasury initiated a review to improve the administration of the Act and to ensure that it remained in step with best practice.

A GBE Act Review Group, consisting of representatives from Treasury, the Deputy Premier's Office, Crown Law and GBEs, was formed in July 1999 to progress the review of the GBE Act. The review was completed in November 2000.

After extensive consultation with all GBEs and portfolio departments, Cabinet considered the Review Group's findings in March 2002. Cabinet approved a number of legislative and non-legislative recommendations for improvements to the GBE Act. The *Government Business Enterprises Amendment Bill 2002* was subsequently prepared and received Royal Assent on 27 November 2002.

#### **2002 Strategy**

Subject to Parliamentary approval of the *Government Business Enterprises Amendment Bill 2002*, Treasury will revise the Treasurer's Instructions under the GBE Act by 30 June 2003.

## **Progress**

Following the enactment of the *Government Business Enterprises Amendment Act 2002*, Treasury undertook a review of the Treasurer's Instructions relating to reporting requirements for the corporate plan, financial statements and the annual report of GBEs. As a result, three

new Treasurer's Instructions were issued in March 2003. The changed approach to incorporate arrangements in the Treasurer's Instructions rather than legislation provides the following advantages:

- allows greater simplicity and clarity in the legislation;
- reporting and other operational requirements can be changed without amending the legislation, providing for timely changes to the Treasurer's Instructions as the need arises and the environment changes; and
- reporting and other operational requirements can be tailored to individual GBEs, based on an assessment of the impact and risk to Government.

With the enactment of the *Government Business Enterprises Act 2002* there is an additional requirement to review GBE Ministerial Charters to ensure that the broad policy expectations established by portfolio Ministers in respect of GBEs remain consistent with the Act. A review of Ministerial Charters will be undertaken during 2003-04.

#### **2003 Strategy**

***By December 2003, complete a review of GBE Ministerial Charters to ensure consistency with the Government Business Enterprises Amendment Act 2002, and any other requirements of the recommendations of the GBE Act Review Group.***

### **6.2.2 The Financial Legislative Framework for other State Authorities**

During 2001-02, Treasury commenced a review of financial legislation governing State Authorities, recognising that there was a gap in the financial management legislative framework which only applied to Government businesses and Government agencies.

The financial management and reporting requirements of statutory authorities were set out to various degrees within each authorities enabling legislation, but there is no consistency in their treatment. A consolidated and consistent overarching legislative framework for the financial management of statutory authorities would facilitate a more structured approach to financial management and reporting by these authorities.

The completion of the review was deferred to 2002-03 due to resource constraints.

#### **2002 Strategy**

Treasury will finalise a discussion paper on standardising and regulating financial management and reporting in State Authorities by December 2002.

Treasury completed a Discussion Paper on standardising and regulating financial management and reporting in State Authorities in March 2003. As a consequence, accounting, annual reporting and strategic planning requirements for Statutory Authorities will be considered as part of the major review of financial management legislation to be undertaken in 2003-04. Section 4.3.1 above refers.

### **6.2.3 Development of an Economic Performance Management Framework**

A *Shareholder Value Added Discussion Paper* was released in July 1999. The Paper proposed the development of a value based performance management framework for GBEs and SOCs based on Shareholder Value Added (SVA) concepts.

It was considered that the introduction of a SVA measurement and reporting regime for Government businesses would encourage and promote management behaviour consistent with value creation over time. In broad terms, SVA measures the extent to which a business adds value for its shareholders by generating net returns that exceed the weighted average cost of capital of the business. Establishing the appropriate mix of debt and equity for GBEs and SOCs is also an important step in determining returns to shareholders.

The Treasurer approved the introduction of the SVA reporting framework in August 2000, and a User's Manual was completed, and distributed, to an initial group of GBEs and SOCs, in December 2000.

Training seminars facilitated by Treasury, were held in November 2001 and June 2002, to assist Government businesses embrace and apply the SVA methodology. Treasury officers provided follow up assistance through a visitation program to Government businesses.

#### **2002 Strategy**

During 2002-03, Treasury will consolidate the introduction of SVA and continue to educate stakeholders about its uses and interpretation.

#### **Progress**

All Government businesses have now included the SVA framework into their corporate or business planning processes. Treasury now reviews the SVA performance of all Government businesses as part of the corporate planning process.

Going forward, Treasury will continue to monitor the SVA performance of each Government business (amongst other financial performance indicators) as part of the annual corporate planning process.

#### **6.2.4 Review of the governance structure for Government businesses**

The Government is continually reviewing the governance, financial and legislative arrangements of individual GBEs to ensure that they remain appropriate. To date, the Government has completed reviews of the Printing Authority of Tasmania (PAT), the Civil Construction Services Corporation, and the Totalisator Agency Board.

In February 2000, State and local Government agreed to consider the transfer of the Southern Regional Cemetery Trust (SRCT) to local Government, consistent with the earlier transfer of the State Government's three bulk water authorities to local Government due to the regional nature of the services provided. Local Government subsequently advised that it did not wish to pursue the transfer. Treasury and the Department of Premier and Cabinet examined a range of options for restructuring the operations of the SRCT.

Cabinet agreed to replace the representative Board with a Board consisting of members appointed for their expertise. The *Southern Regional Cemetery Amendment Act 2002* received Royal Assent in June 2002. The new Board was appointed on 1 July 2002.

During 2001, the Egg Marketing Board (EMB) and egg producers agreed to the disposal of the EMB's one significant commercial undertaking, its processing of second grade eggs. Parliament consented to the transfer of EMB's processing activities to a private operator on 31 May 2001.

The cessation of EMB's trading operations has implications for the wider issue of the EMB's appropriate role, and its legislative basis.

The EMB was officially wound up on 25 June 2003 with proclamation of section 25 of the *Egg Industry Act 2002*. The Act provided for, among other things, the repeal of the *Egg Industry Act 1988* and the removal of the Egg Marketing Board from the schedules of the *Government Business Enterprises Act 1995*.

The Government finalised a review of the memorandum and articles of SOCs, during 2000-01, to improve clarity and to address changes arising from the Commonwealth Government's *Corporate Law Economic Reform Act 1999* (CLERP Act).

The recommendations from the review of the memorandum and articles of SOCs were implemented in November 2001.

#### 2002 Strategy

During 2002-03, Treasury will provide advice to the Ministers following receipt of a report on the new Board's review of operations of the SRCT and options for governance of the SRCT.

## Progress

On 23 October 2002, the new SRCT Board provided a report on future ownership options for the SRCT to Government. The recommendation to Government was for the recently appointed expertise-based Board to continue for the remainder of its three-year appointment, expiring on 30 June 2005.

With significant resources devoted during 2003-04 to the sale of Civil Construction Services Corporation, the Tasmanian Grain Elevators Board and the Stanley Cool Stores Board and the investigation of the sale of non-core assets of the Hobart Ports Corporation and Forestry Tasmania, no specific work is planned on reviewing the governance structures of Government businesses during 2003-04.

### **6.2.5 Developing appropriate management of Community Service Obligations (CSOs) and Community Service Agreements (CSAs)**

Community Service Obligations (CSOs) are recognised non-commercial activities undertaken by a GBE on behalf of the Government. The CSO contract with a GBE enables the Government to achieve its economic, social and other objectives, without impacting on the commercial performance of the GBE.

The key elements of a CSO are:

- a specific directive from Government must exist (either in legislative form or a direction underwritten by legislation) to perform the non-commercial activity; and
- the activity is one, which would not be performed if the GBE were free to act commercially (that is, the GBE incurs a net cost in providing the CSO).

A CSO is undertaken in accordance with a CSO contract, which details the activity to be undertaken by the GBE as a CSO, funding arrangements, performance indicators and other information. The Government expects a GBE to fulfil its CSO in an efficient and effective manner.

Similar arrangements exist in relation to SOCs and Community Service Agreements (CSAs). CSAs are the equivalent of CSOs for GBEs.

#### 2002 Strategy

By June 2003, Treasury will facilitate the renegotiation of the Public Trustee CSO contract on behalf of the Treasurer (the Purchasing Minister).

## Progress

The following table lists the Government's current CSO/CSA arrangements:

GBE/SOC	Type	Term Expiry
The Public Trustee	CSO	30 June 2004
Hydro Tasmania – Bass Strait Islands	CSO	30 June 2005
Metro Tasmania Pty Ltd	CSA	30 June 2004
Aurora Energy Pty Ltd	CSA	30 June 2006

A Working Group was established in March 2003 to negotiate a new three-year contract with The Public Trustee. The Working Group discussed a range of significant issues impacting on the current CSO arrangements with The Public Trustee, including:

- an impending national CSO costing methodology review;
- security issues; and
- the provision of litigation guardian services.

Based on these discussions, the Working Group agreed to recommend that the existing contract be extended for a further 12 month term. During this time, further work will be undertaken to address the issues raised. The Working Group will reconvene in November 2003 to negotiate a new three-year contract for The Public Trustee.

### ***2003 Strategy***

***During 2003-04, negotiate a new three-year contract with The Public Trustee for the delivery of CSO services.***

***During 2003-04, monitor the negotiation by the Department of Infrastructure, Energy and Resources of a new contract with Metro Tasmania Pty Ltd.***

## **6.2.6 Review of dividend policy for Government businesses - Discussion Paper**

The dividend policy guidelines for Government businesses were introduced in June 1997. However, there have been a number of changes since that time, including:

- changes in the business environment;
- the Commonwealth tax reforms in response to the Ralph recommendations; and
- the achievement of a sustainable State Government Budget position.

There is a trade off between paying dividends, funding the expansion of Government businesses and the Government's industry development and net debt reduction policies. A review of the current dividend guidelines has commenced in the context of these factors.

#### 2002 Strategy

By December 2002, Treasury will prepare a paper on a general dividend policy for Government businesses for consideration by the Treasurer.

### Progress

In February 2003, a Discussion Paper, *Review of Government Business Dividend Arrangements*, was completed and provided to all Government businesses and other major stakeholders for comment. The Paper examined the underlying principles that should be considered in the Government's dividend policy framework, including the rationale for each principle, and analyses whether the current policy framework appropriately satisfies each of these principles.

There was a pleasing level of input from the Government business sector to the issues raised in the Paper, which provided key material for the development of a revised Dividend Policy by Treasury.

The findings of the Paper, in addition to the comments received from Government businesses, will form the basis for the development of a revised dividend policy, for consideration by the Treasurer by September 2003.

#### 2003 Strategy

*By June 2004, develop for the Treasurer's consideration, a revised general dividend policy for Government businesses.*

### 6.2.7 Infrastructure projects

The *Private Sector Participation in Public Infrastructure – Policy Statement and Guiding Principles for Private Sector Participation in Public Infrastructure Provision*, were completed and approved by the Treasurer, released to agencies during July 2000 and published on the Treasury Web site in August 2000.

The Guidelines:

- assure consistency in the Government's approach to the market;
- provide clear guidance on the Government's requirements for risk sharing;

- encourage innovative cost effective solutions with appropriate risk/return allocations;
- provide advice to the private sector and to agencies as to how the Government will handle the issue of intellectual property; and
- provide reasonable assurance to industry that the Government intends to follow acceptable proposals through to completion.

During 2001, Heads of Treasury established a Working Group on Private Sector Involvement in Public Sector Infrastructure (PPPI). Tasmanian Treasury has played an active role in progressing issues on the Working Group's work program. The formal role of the Working Group concluded at the Heads of Treasury meeting in November 2002. However, the Working Group will continue to provide an informal inter jurisdictional network for the ongoing development and enhancement of PPPI arrangements.

#### 2002 Strategy

During 2002-03, Treasury will provide, as required, advice on the utilisation of private sector capital for public infrastructure projects.

### Progress

In June 2003, in conjunction with the Department of Health and Human Services, Treasury completed a matrix of recent projects undertaken in Tasmania that contain elements of private provision of public infrastructure projects (PPPIs).

Treasury has continued to participate in inter-jurisdictional forums regarding the participation of the private sector in public infrastructure. In addition, Treasury has played an active role in progressing the Meander Dam project, in particular managing the competitive proponent selection process.

#### 2003 Strategy

*During 2003-04, Treasury will provide, as required, advice on the utilisation of private sector capital for public infrastructure projects.*

### 6.2.8 Policy paper on expansion proposals by Government businesses

The Government remains committed to improving the State's overall financial position and seeks to minimise any risks to the achievement of the key components of the Fiscal Strategy.

Standard and Poor's upgraded the State's credit rating in October 2001 and Moodys in July 2003. However, the Government remains committed to achieving further improvements in Tasmania's credit rating. Standard and Poor's has identified high levels of debt in the Government business sector as an impediment to this outcome being achieved. Balancing the

tension between debt reduction and financing the expansion of Government business is a significant challenge.

The Government recognises that, in certain circumstances, expansion of Government businesses can benefit the State, leading to growth in the State's economy, increased employment opportunities and increased financial returns to Government. However, any business expansion involves additional risk. This risk may lead to increased volatility in earnings and requirements for additional capital. In circumstances where the expansion does not realise expectations, the shareholders may suffer a loss of equity in the business.

Business expansions outside the traditional, core business of the entity, generally involve the highest level of risk. Expansion into new markets can also involve high levels of risk. This is particularly the case when the new market is outside Tasmania, at a distance from close management scrutiny.

#### 2002 Strategy

By June 2003, Treasury will develop a policy framework for the consideration and approval of expansion proposals by Government businesses, having regard to the Government's economic and fiscal objectives.

### **Progress**

During 2002-03, Treasury undertook some background research on this issue but further work has been deferred to free resources for the development and progression of the Government's Divestment Strategy during 2002-03.

#### **6.2.9 Roles and responsibilities of Government business Board members**

Following the GBE Act Review, an interdepartmental working group has been examining options for increasing Board member's skills, competencies and understanding of roles and responsibilities.

The purpose of its review is to establish an Induction Framework for Tasmanian Government business board appointments (both GBE and SOC) to enable current and aspiring directors to be able to fulfil the role of a board member to an appropriate level of competence.

The draft Board Induction Framework comprises four elements:

1. professional training for new and existing directors on the broad differences between the private sector model and the Government owned model, including duties and responsibilities of directors of Government businesses;
2. a half day induction session for new directors on the specifics of the GBE Act and State portfolio legislation, including an introduction to the *Corporate Governance Handbook*;

3. a checklist of items to assist Government businesses to appropriately induct a new director on the board; and
4. update of the Corporate Governance Handbook to provide a user-friendly handbook to assist a potential new director of the board to understand what is involved in being a director of a Government business.

#### 2002 Strategy

By December 2002, in conjunction with the Department of Premier and Cabinet, will develop and implement an induction program for new Board members for Government businesses

### Progress

A draft Induction Framework was prepared by the Working Group and circulated to Government businesses for comment in March 2003. Responses were received from the majority of businesses by May 2003.

#### 2003 Strategy

*Subject to Cabinet approval of the Induction Framework, develop and implement by March 2004, an induction program for new Board directors for Government businesses.*

## 6.3 New Initiatives

### 6.3.1 Government Business Divestment Strategy

During 2002-03, the Department of Treasury and Finance assessed the Government's ongoing ownership of each business in its portfolio against a public interest test to determine whether the equity invested in the businesses was the best strategic use for the community.

In examining the rationale for ongoing government ownership of each business, a range of factors was considered, including financial, industry and community issues.

The underlying rationale for divestment of government businesses included:

- the freeing up of capital for other applications;
- removal of constraints on the business associated with government ownership;
- reducing risk to government as owner;
- debt reduction;

- reducing administration costs to government; and
- changes in business environment.

Treasury's application of the public interest test across the current government business portfolio highlighted a number of businesses for which there was no compelling argument for ongoing Government ownership, and in which there appears strong interest from the private sector. The review also highlighted several areas for further investigation given the complexities of the businesses concerned.

The Government considered the review in March 2003 and decided that three GBEs would be sold, namely:

- Civil Construction Corporation;
- Tasmanian Grain Elevators Board; and
- the Stanley Cool Stores Board.

The Government also decided that, while there remains a good case for ongoing Government ownership of Forestry Tasmania and the Hobart Ports Corporation Pty Ltd, Treasury (in consultation with relevant government agencies and the businesses concerned) should undertake detailed investigations into possible non-core asset sales from those businesses as an important element of the Divestment Strategy. The Government is also considering the future ownership arrangements of the Launceston Silverdome.

To enable the divestment of these businesses, Treasury coordinated the drafting and introduction into Parliament of enabling legislation *The Government Business Enterprise (Sale) Bill 2003*, which received Royal Assent on 4 July 2003.

### ***2003 Strategies***

***During 2003-04, progress the Government's Divestment Strategy regarding the sale of the Civil Construction Corporation; Tasmanian Grain Elevators Board; and the Stanley Cool Stores Board.***

***During 2003-04, undertake further investigation into the sale of non-core assets in relation to Forestry Tasmania.***

***During 2003-04, undertake further investigation into the sale of non-core assets in relation to the Hobart Port Corporation.***

***During 2003-04, undertake further investigation into the sale of non-core assets in relation to the Launceston Silverdome.***

# 7 Education and Communication

## 7.1 Progress to date

Financial management reforms need to be marketed and communicated effectively if agencies, the Government, the Parliament and the public are to gain the most from them. The Stocktake and Evaluation Process, undertaken in 1999, identified that Treasury was not marketing reform, nor assisting with reform implementation as effectively as it needed to. Agencies indicated that “many of the financial management reforms introduced had not been fully implemented and had not infiltrated agencies”. The main concern was how the reform strategy was being implemented. Agencies required a better understanding of proposed reforms, benefits from reform, as well as sufficient agency resources to carry out full implementation.

On the basis of the findings of the Stocktake and Evaluation Process, Treasury has developed an overall communication strategy. In addition, there have been significant efforts to improve communications with other agencies and key stakeholders during the past four years.

The results of the 1999 Stocktake and Evaluation also restated the importance of establishing effective education and training strategies. Previous work had been undertaken, with consideration being given to issues such as competencies, and specific education programs had been provided with the introduction of specific financial management reforms. However, education and training was generally perceived as a second level priority and in a time of scarce resources, programs were often deferred or abandoned altogether.

The Accrual Budget and Financial Management (ABFM) Project provided the impetus to take a longer and broader view on education and training issues. In particular, the project recognised that education and training needs are ongoing and longer term in both planning and implementation. The Government also has made a public commitment to improving other aspects of financial management and is aware that this is a long-term project.

What is required is a vision and plan for improving financial management skills within the inner Budget sector over the next three to five years.

## 7.2 Continuing initiatives

### 7.2.1 Electronic provision of information

The Internet allows Treasury to provide timely and accurate information (both internally and to the community at large) more efficiently.

All new publications and papers released by Treasury, together with a number of previously published documents, are now placed on the Treasury Web site at [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au). Agencies now have electronic access to all relevant financial management publications.

Treasury has enhanced the usability of its Web site in order to provide a readily accessible resource for agencies. This review involved a redesign of the Web site, which allowed for a

more intuitive interface and easier navigation. The review also resulted in an increase in the amount of information able to be accessed electronically.

The Treasury Web site is a key means of improving communication with agencies. Treasury will continue to monitor the effectiveness of its Web site and implement improvements to increase access and functionality.

#### 2002 Strategy

Treasury will continue to improve the useability of its Web sites to improve functionality and access for users.

### Progress

Treasury's Web site is an obvious place to centrally locate financial management information, as it is readily accessible to agencies and the general community.

During 2003, the structure of the Budget and Financial section of the Treasury Web site was reviewed to determine how information could be better presented and more readily accessible by users. A proposed restructure of this section of Treasury's Web site was approved internally in July 2002 and will be implemented onto the Web site by September 2003.

The restructure was undertaken to provide easier access to core financial management information such as Treasurer's Instructions and guidelines and to highlight information that is likely to be of interest to users.

#### 2003 Strategy

##### ***Improve Treasury's electronic communication by:***

- enhancing the Budget and Financial section on the Treasury Web site by September 2003; and
- continuing to improve the useability of Treasury Web sites to improve functionality and access for users.

### 7.2.2 Information on the public finance framework

Given the considerable changes that have taken place, it is important that agencies are kept informed of the Government's overall financial reform agenda and the progress that has been made. It is also important for Treasury to be aware of the views of agencies, and other stakeholders, when developing new elements of the framework.

#### 2002 Strategy

Treasury will continue to hold regular Financial Management Forums, facilitating the sharing of information between agencies and Treasury.

#### **Progress**

Two Financial Management Forums were held in 2002-03 to discuss a range of financial management issues of interest to agencies. In addition, a Financial Management Strategic planning day was also held, under the auspices of the Financial Management Forum, in March 2003.

A number of issues, which were identified at the Strategic Planning Day, are being progressed by inter agency Working Groups. The Financial Management Forum will monitor the progress of the working parties established to investigate systems, information and education and training issues.

#### *2003 Strategy*

*Convene meetings of the Financial Management Forum, in October 2003 and May 2004, to facilitate the sharing of financial information between agencies and to progress whole of government initiatives.*

#### **7.2.3 Calendar of events**

Treasury publishes an annual Calendar of Events, which provides agencies with information on Budget, Financial Management and Reporting cycles.

#### 2002 Strategy

Treasury will publish an integrated 2003-04 Budget and financial reporting calendar in October 2002.

#### **Progress**

The 2002-03 Budget Development timetable was provided to agencies and placed on the Treasury Web site in September 2002.

This timetable is seen as an important planning tool for agencies. Following discussions at the Financial Management Strategic Planning Day, the timetable was expanded into an integrated budgeting and financial reporting calendar, where possible, integrating Treasury requests for information. The calendar will continue to be updated annually.

### **2003 Strategy**

***Publish an integrated 2003-04 Budget and financial reporting calendar in October 2003.***

#### **7.2.4 Financial management newsletter**

Treasury published the first issue of its newsletter @*treasury.tas* in October 2000. This issue, and subsequent issues, may be accessed through the Treasury Web site. Treasury is committed to a process of continuous improvement in delivering timely, relevant and useful information to external clients and stakeholders.

### **2002 Strategy**

Treasury will continue to advise on financial management reform issues through the regular Treasury newsletter @*treasury.tas*.

### **Progress**

A number of articles, relating to financial management issues, were published during 2002-03 in @*treasury.tas*. These included articles on:

- the review of the Treasurer's Instructions issued under the Financial Management and Audit Act;
- the proposed changes to the mandatory data requirements for the Treasury Financial Reporting System (TFRS);
- the establishment of a Public Account Cash Management System (PACMS) user group;
- the establishment, objectives and progress of Inter-Agency Financial Management Working Groups, including the Finance One Working Group, the Chart of Accounts Working Group, the Budget Systems Working Group and the Education and Training Working Group; and
- the publication of various Treasury Financial Reports, including Consolidated Financial Statements, Consolidated Fund Quarterly Statements, Loan Council Outcomes reports and the Treasurer's Statements.

### **2003 Strategy**

*During 2003-04, continue to advise on financial management reform issues through the regular Treasury newsletter @treasury.tas.*

#### **7.2.5 Communication strategy**

In response to concerns about the effectiveness of Treasury communication of financial management reform strategies, the Treasury Communication Strategy was approved in August 2001.

Treasury has developed an integrated communications strategy aiming at a broader, Departmental perspective, incorporating a wide range of communication tools. The Treasury and Finance Web sites and the newsletter @treasury.tas are aimed at external audiences. Specific elements, such as the *Purchasing.tas* Web site, are aimed at meeting the primary communication needs of specific target audiences. Seminars, forums, advisory groups, and specialist news sheets are examples of other communication tools that have been used, with varying degrees of effectiveness, by different branches.

The communication strategy focuses on improving the effectiveness of communication to key external stakeholders, such as agencies, and the successful conveyance of the key messages to which Treasury is committed. The strategy is modelled on the Government Online Communication Strategy, existing Departmental communication strategies for projects, and basic communication principles.

### **2002 Strategy**

During 2002 Treasury will:

- develop and implement targeted communications skills training for Treasury staff; and
- maintain a list of all external financial management presentations on TresNet.

#### **Progress**

In July and August 2002, Treasury facilitated a two-day specialist communication and presentation skills course for staff closely involved in the development of the accrual budgeting framework that could be expected to make external presentations. Staff participating subsequently developed and delivered a series of in house presentations. The topics covered included the Public Account, Uniform Presentation Framework and various aspects of the accrual budgeting framework. Some of these presentations were subsequently utilised for external presentations.

In April 2003, a document listing financial management presentations made by Treasury officers to external parties was made available on Treasury's Intranet, TresNet. The document is used to keep Treasury staff updated on the financial management issues that

have been communicated to external parties. The document provides a link to each presentation, a brief description of the content, contact officers for each presentation and the date the presentation was first made. Treasury will continue to update the document during 2003-04.

Treasury collects a range of financial and statistical data each year from agencies, Government Business Enterprises (GBEs) and State-Owned Companies (SOCs) which is used for forecasting, reporting and modelling purposes. In 2002, responses to Treasury's Stakeholder Survey indicated that coordination of data collection from external entities is an area where Treasury could improve.

Consequently, an internal Data Management Working Group was established in December 2002. The purpose of the Working Group is to investigate and make recommendations on methods of streamlining Treasury's data requirements, associated data collection processes, effective sharing and use of data by branches and standardisation of terminology.

The Data Management Working Group has completed a review of the data collection and sharing processes for the Budget and Finance Division of Treasury. The reviews will be incorporated into a final report, which will provide the basis for identifying improvements in the coordination of data collection from external entities.

#### ***2003 Strategy***

***By 31 December 2003, implement recommendations for methods of streamlining Treasury's data requirements, associated data collection processes, effective sharing and use of data by branches and standardisation of terminology.***

#### **7.2.6 Improving knowledge and skills in financial management**

Appropriate financial management knowledge and skills are needed to ensure value for money, consistent application of Government financial management policies and procedures and accurate and timely information upon which to base financial and other management decisions by both departmental decision-makers and the Government.

The importance of training and education, in the delivery of financial information, has already been recognised by Treasury in relation to the Accrual Budget and Financial Management Project (ABFMP).

An interdepartmental Education and Training Working Group was established, as part of the ABFMP project, to identify training needs associated with the implementation of accrual budgeting, and to develop programs to address those needs.

However, training delivered as part of the ABFMP is only one component of the overall strategy for improving financial management knowledge and skills within the inner Budget sector.

The Government is also committed to enhancing, and reinforcing, competencies in financial management to enable ongoing improvements to the management of State financial resources.

A broadly based vision and strategy for education and training is essential to address the serious shortfall in financial management knowledge and skills clearly apparent across the inner Budget sector. To determine such a vision requires information about current financial management skills within agencies and how these can be improved.

#### 2002 Strategy

Treasury, in consultation with an inter agency working group, will:

- oversee a survey, to be completed by November 2002, of inner Budget agencies to identify financial management and training and education needs for those agencies;
- based on the results of the survey, develop an education and training strategy in financial management, for inner Budget agencies, by January 2003; and
- convert the education and training strategy into a financial management training and education program for inner Budget agencies for the period 2002-03 to 2006-07, by March 2003.

#### **Progress**

Treasury engaged KPMG in August 2002 to undertake an independent survey of all inner Budget heads of agency, finance managers and human resource managers and a representative sample of business unit managers, and individual finance officers, to determine:

- the current level of financial management skills within agencies;
- information relating to the classification of budget, accounting and finance positions, turnover, vacancies, the recruitment of graduates and practices on the payment of professional and related fees;
- how Chief Executive Officers, and finance managers, perceive their roles and responsibilities in relation to financial management and the issues of highest priority for their agencies; and
- agency financial management education and training needs.

The survey, which was completed in February 2003, included Heads of Agency, finance managers and a representative sample of senior managers, line managers and individual finance/budget officers. It is pleasing to note the good response to the survey, with at least a 60 per cent response rate from each sample group, representing over 300 officers.

The survey findings show that each of these groups value financial management skills. However, the Report also illustrates that many managers already actively involved in

financial management lack the necessary skills to perform these tasks at optimum efficiency and effectiveness.

The survey highlights that financial management training should concentrate upon senior and line managers, administrative staff attached to line management units and central finance area staff. The areas of greatest training need are agency and whole-of-government budget development and management processes, business and strategic planning, agency and whole-of-government compliance requirements and various aspects of accounting operations.

Participants strongly supported financial management training but recognised that there are significant barriers to be overcome to achieve effective training outcomes. These barriers include the availability and accessibility of training and its relevance to the target training group.

There also are broader human resource, communication and financial management issues to be considered in improving financial management skills within the inner Budget sector. Some of these issues, for example improving communication between line managers and agency central finance units and improving financial reporting, may best be addressed at an agency level. However, other issues such as developing common minimum agency training and professional development conditions may benefit from a whole-of-government approach.

The survey results underpinned the development of the financial management education and training strategy to improve financial management within the inner Budget sector, which was issued to agencies for comment in March 2003.

In June 2003, Treasury appointed Management Training Services Pty Ltd to develop a detailed education and training program for inner Budget agencies covering the period 2002-03 to 2006-07. The program will take into consideration the education requirements for each stakeholder group, options for delivery and the content outline for each training program. Options for linkage to existing training programs within agencies will also be considered.

The program will be developed and managed through an interdepartmental Working Group. The successful achievement of Project deliverables will be measured for each of the stakeholder groups that include agencies, Treasury, the Treasurer and Cabinet. Outcome measures will be identified in the strategy and will include a quantifiable improvement in financial management skills within agencies. This will be measured by a further survey in 2005-06 against the benchmark survey that was completed in February 2003.

#### ***2003 strategy***

##### ***The interagency Education and Training Working Group will:***

- finalise the detailed financial management education and training program by September 2003; and***
- arrange for delivery of delivery of 2003-04 training modules by October 2003.***

### **7.2.7 Property and procurement training**

In previous publications of Tasmania's Financial Management Reform Strategy, education and training strategies in respect of property and procurement activities were reported on in Chapter 5 *Financial management – procurement*. Commencing with the current (2003) Financial Reform Strategy document, these details will be reported in the education and training chapter (chapter 7). Further historical details in respect of the development of successive training strategies in relation to property and procurement are contained in Chapter 5.

Feedback from the Department of Premier and Cabinet's Training Consortium indicates demand for training in respect of Service Contract Management. In response, Treasury will customise an available PACCER training course "Service Contract management" by December 2003.

Treasury will work with the Procurement Reference Group and Treasury's training administration agent (The Training Consortium) during 2003-04 to assess the need for more specialised training courses and the most appropriate delivery mechanisms.

#### ***2003 Strategy***

- ***Customise the PACCER course, Service Contract Management, by December 2003.***
- ***Conduct a formal review of the current procurement training program and consult with agencies to assess further training needs, by January 2004.***

## 8 Conclusion

All governments are responding to the changing environment in which they are delivering services to the community. These environmental issues include reduced financial resources, the concentration of resources on core functions, commercialisation and corporatisation of selected activities and a greater reliance on the private sector to provide goods and services to governments.

Governments introduced contemporary budgetary, financial management and accountability practices to enhance public sector financial management. Considerable progress has been made in Tasmania in the implementation of many of these reforms as part of the integrated financial management strategy.

The annual Progress Reports detail the implementation of reforms, and draw together the threads of the continuing financial management reforms in a structured overview.

It is now over seven years since the initial Financial Management Reform Strategy was announced. The Stocktake and Evaluation process, completed in 1999, provided valuable information on the progress of the Financial Management Reform Strategy. Its findings and recommendations have been integrated into the Financial Management Reform Strategy.

In particular, Treasury recognises the needs of agencies in implementing financial management reforms. This was reflected in the phased arrangements that governed the implementation of accrual budgeting. The phased approach should allow agencies sufficient time to bed down the changes that are associated with this major financial management reform.

To assist in this process, a broadly based strategy for education and training in financial management has been progressed and a detailed education and training program for inner Budget agencies is being developed with funding allocated for delivery during the period to 2006-07. This program will address areas of greatest need, including agency and whole-of-government budget development and management processes, business and strategic planning, agency and whole-of-Government compliance requirements and various aspects of accounting operations.

## 9 Appendix 1 - Overview of progress in 2002-03

The table below provides a list of the strategies identified in the *2002 Progress Report* and shows the progress made during 2002-03. Further details, including action to be undertaken in 2003-04, can be found in the body of this report under the appropriate heading.

<b><i>Fiscal Strategy</i></b>	
The Government will pursue the targets established under its new six-year Fiscal Strategy. Progress towards the achievement of the targets will be monitored and reported.	Completed. A report on the progress toward achieving the Fiscal Strategy was contained in the 2003-04 Budget Papers introduced into Parliament on 22 May 2003.
<b><i>Budgetary and appropriation processes</i></b>	
Treasury, in consultation with the Department of Premier and Cabinet, will by November 2002, review the integration of <i>Tasmania Together</i> into the Budget process. Any enhancements required will be implemented in the 2003-04 Budget development process.	Completed. As a result of the review, a number of changes were made to the 2003-04 Budget development process.
Treasury will, by December 2002, finalise the report on the review of the Outputs/Outcomes methodology and Budget development processes for inclusion in the Budget development process for 2004-05 and future years.	In progress. A preliminary report has been completed, and will be progressed during 2003-04.
Treasury, in consultation with the Department of Premier and Cabinet, will review Budget Paper information to provide improved performance information, linked to <i>Tasmania Together</i> Benchmarks by May 2003.	Completed. In February 2003, <i>Tasmania Together</i> Benchmarks were indicated within the performance information included in the 2003-04 Budget Papers.
By May 2003, Treasury will:	
<ul style="list-style-type: none"> <li>implement the accrual Budget presentation in Budget Papers No 1 and 2; and</li> </ul>	Completed. The accrual Budget presentation was reflected in the 2003-04 Budget Papers.
<ul style="list-style-type: none"> <li>implement accrual Budget management processes.</li> </ul>	Completed. Accrual Budget management processes were implemented in the course of developing the 2003-04 Budget.

By October 2002, Treasury will undertake a Post-Implementation Review of the Integrated Budget Management and Financial Reporting System (BMFRS).	Completed. Prologic undertook the Post-Implementation Review of the Integrated BMFRS and a final report was provided to Treasury in October 2002.
During 2002-03, Treasury will:	
<ul style="list-style-type: none"> <li>implement changes to the Integrated BMFRS to enable collection of agency accrual Budget data for the preparation of agency accrual Budgets and the consolidated accrual Budget for 2003-04;</li> </ul>	Completed. Phase 3 Enhancements made to BMFRS enabled collection of agency accrual Budget data and the preparation of agency accrual Budgets and the consolidated 2003-04 accrual Budget.
<ul style="list-style-type: none"> <li>revise the current Treasury Financial Reporting System (TFRS) mandatory data requirements, with changes to the chart of accounts to take effect from 1 July 2003;</li> </ul>	Completed. The review of the mandatory data requirements was completed in September 2002 and the revised chart of accounts took effect from 1 July 2003.
By October 2002, Treasury will:	
<ul style="list-style-type: none"> <li>undertake a review of the State's financial and statistical reporting requirements and, subject to Government approval, prepare legislative amendments to the <i>Financial Management and Audit Act 1990</i> (FMAA) by 30 April 2003;</li> </ul>	Completed. <i>The Financial Management and Audit Act Amendment Act 2003</i> received Royal Assent on 4 July 2003.
<ul style="list-style-type: none"> <li>facilitate a communications strategy to address the accrual budgeting information needs of all key stakeholders;</li> </ul>	Completed. The communications strategy was endorsed by the Accrual Budgeting Steering Committee and approved by the Treasurer in October 2002 and implemented in the period up to the release of the 2003-04 Budget in May 2003.
<ul style="list-style-type: none"> <li>facilitate an education program to assist agencies in implementing accrual budgeting; and</li> </ul>	Completed. Training in accrual budgeting changes to the Budget Management System and the relevant business rules was provided during December 2002 and January 2003.
<ul style="list-style-type: none"> <li>review and expand the existing Budget Management Guidelines to support accrual budgeting by November 2002 and, if required, introduce new Treasurer's Instructions by May 2003.</li> </ul>	Completed. The Guidelines were approved by the Treasurer in May 2003 and circulated to agencies.
By November 2002, Treasury will review the agency classification of administered and controlled for Budget purposes.	Deferred. This item has been deferred until 2003-04.

By November 2002, Treasury will undertake a review of the Budget development process, including:	
<ul style="list-style-type: none"> <li>evaluating means of keeping agencies better informed on the overall state of the Budget; and</li> </ul>	Completed. Agencies were briefed on the overall state of the Budget prior to the commencement of the 2003-04 Budget development process.
<ul style="list-style-type: none"> <li>reviewing the Pre-Budget report format to assist agencies and Budget Committee in developing the 2003-04 Budget.</li> </ul>	Completed. The Pre-Budget format was reviewed in November 2002 and changes incorporated into the instructions issued to agencies for preparing Budget Submissions.
<b><i>Financial management - government departments</i></b>	
By November 2002, Treasury will undertake major enhancements to the Public Account Cash Management System (PACMS) to support the implementation of accrual budgeting.	Completed. Enhancements to PACMS were completed, tested and implemented as part of the Phase 3 enhancements to BMFRS.
In relation to Risk Management, Treasury will:	
<ul style="list-style-type: none"> <li>prepare an annual report on the activities of the Tasmanian Risk Management Fund (TRMF) during 2001-02, by November 2002;</li> </ul>	Completed. The annual report on the activities of the TRMF was published in April 2003 and is available on the Treasury website.
<ul style="list-style-type: none"> <li>finalise a Motor Vehicle Fleet Purchase and Use Policy by March 2003; and</li> </ul>	In progress. The information gathering and consultative phase has been completed. The full policy will be finalised by November 2003.
<ul style="list-style-type: none"> <li>conduct a tender process and appoint panels of pre-qualified providers for each category of service provider to the TRMF, by June 2003.</li> </ul>	In Progress. The Actuary tender process was completed in July 2003. Remaining tenders will be completed during 2003-04.
During 2002-03, Treasury will continue to divest the Government owned office portfolio, arranging the sale or transfer of properties in accordance with the Office Accommodation and Property Services Strategic Plan.	Ongoing. Since 1998, 14 Government office properties have been divested and five properties were transferred to tenant agencies. Four properties were divested in 2002-03.
By June 2003, Treasury will prepare and submit to Budget Committee, in consultation with agencies, a report on revised Strategic Asset Management Plan (SAMP) processes, reflecting the new accrual budgeting framework.	Deferred. This item has been deferred until 2003-04.

In March 2003, Treasury will convene a second Strategic Planning Day to progress the ongoing management of financial systems reform.	Completed. The Strategic Planning Day was held on 27 March 2003.
Treasury will continue to provide administrative support to the financial systems inter-agency working groups. By December 2002:	
<ul style="list-style-type: none"> <li>The Finance One Working Group will prepare a Discussion Paper outlining the most appropriate means of obtaining improved value for money and a strategic partnership arrangement, on a whole-of-government basis, from our financial management information system service provider;</li> </ul>	Completed. The Discussion Paper was endorsed by the Inter Agency Steering Committee (IASC) in March 2003. A Financial Systems Management Group was established in May 2003 to develop a whole-of-Government Finance One contract.
<ul style="list-style-type: none"> <li>The Common Chart of Accounts Working Group will prepare a discussion paper defining the user requirements from a common chart of accounts and investigating the feasibility of introducing such a chart; and</li> </ul>	Completed. The Working Group presented the Discussion Paper at the October 2002 Financial Management Forum. The Forum endorsed the paper and agreed that further consideration of a common chart of accounts would be deferred until late 2004.
<ul style="list-style-type: none"> <li>The Budget Systems Working Group will prepare a Scoping Paper defining the user requirements for a common agency budget system.</li> </ul>	Completed. The Scoping Paper was endorsed by the IASC in March 2003. Subsequently, a Working Group was established to develop high-level specifications for the system by October/November 2003.
Treasury will continue to provide secretariat services to Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) until 31 December 2002.	Ongoing. Treasury will continue to provide support to the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) until December 2004.
Treasury will continue, with other State, Territory and Commonwealth Treasuries, to develop public sector positions on accounting and reporting issues.	Ongoing. Issues under consideration during 2002-03 include Australian adoption of International Accounting Standards and the convergence of Government Finance Statistics and Generally Accepted Accounting Principles.
By October 2002, Treasury will prepare a Scoping Paper outlining the process and extent of the review of the Treasurer's Instructions issued under the <i>Financial Management and Audit Act 1990</i> (FMAA).	Completed. The Scoping Paper was completed in October 2002.

Revised Treasurer's Instructions and associated guidelines will be issued by 31 May 2003.	In progress. The initial phase of the review of the Treasurer's Instructions was undertaken and revised Treasurer's Instructions were reissued in June 2003. The remaining Treasurer's Instructions will be reviewed in 2003-04.
By September 2002, Accrual Consolidation Reporting Application (ACRA) enhancements will be completed to facilitate the production of:	
<ul style="list-style-type: none"> <li>Uniform Presentation Framework (UPF) reporting requirements in October 2002; and</li> </ul>	Completed. The enhancements were completed and implemented in September 2002.
<ul style="list-style-type: none"> <li>Consolidated Financial Statements for the State of Tasmania in November 2002.</li> </ul>	Completed. The enhancements were completed and implemented in September 2002.
By December 2002, Treasury will prepare a Discussion Paper, reviewing debt management policies and procedures.	Completed. Following preparation of the Discussion Paper, the Treasurer approved a Revised Policy Framework in May 2003.
In November 2002, Treasury, in conjunction with Westpac Banking Corporation (Westpac), will conduct a banking seminar for agencies.	Completed. The banking seminar was held from 18 to 20 November 2002.
By November 2002, Treasury will develop Guidelines for Bank Account Management.	Completed. A Treasurer's Instruction on bank account management was issued to agencies in March 2003.
By March 2003, Treasury will review and issue new Costing Fees and Charges Guidelines.	In progress. The draft Costing Fees and Charges Guidelines were issued to agencies for comment in June 2003. The guidelines will be finalised and implemented by September 2003.
<b><i>Financial management – procurement</i></b>	
Treasury will:	
<ul style="list-style-type: none"> <li>launch the first phase of the Buying for Government website, by November 2002;</li> </ul>	Completed. The website went live in January 2003.
<ul style="list-style-type: none"> <li>in conjunction with the Office of the Crown Solicitor, review the current Government Information Technology Contract and order forms to ensure they still meet the Government's requirements, by March 2003;</li> </ul>	In progress. The review has commenced and will be completed by December 2003.
<ul style="list-style-type: none"> <li>commence the delivery of Procurement Policies and Procedures sessions to buyers in agencies in September 2002;</li> </ul>	Completed. The initial sessions were delivered in August and October 2002.

<ul style="list-style-type: none"> <li>• customise the Procurement and Contracting Centre for Education and Research (PACCER) course, Introduction to Tendering and Contracting by November 2002; and</li> </ul>	Completed. The customisation of the course was completed in March 2003. The first course was delivered in April 2002.
<ul style="list-style-type: none"> <li>• assess the need for more specialised procurement training courses and determine the most appropriate delivery mechanisms by March 2003.</li> </ul>	In progress. Some additional procurement training needs have been identified. The most appropriate delivery mechanisms will be determined early in 2003-04.
During 2002-03, Treasury will:	
<ul style="list-style-type: none"> <li>• provide a facility for the downloading of tender documentation from the Tenders website by 30 November 2002, and for the electronic lodgement of tenders by 31 January 2003; and</li> </ul>	Completed. The first electronic tender was made available on the Procurement website in March 2003.
<ul style="list-style-type: none"> <li>• continue to monitor the outcomes of the eProcurement Pilot Project and develop a proposal for the future implementation of eProcurement by government by 30 June 2003.</li> </ul>	In progress. The results of the evaluation will be reflected in a discussion paper <i>eProcurement – The Way Forward</i> to be released by October 2003..
Treasury will:	
<ul style="list-style-type: none"> <li>• provide a Discussion Paper on Strategic Procurement in Government, to the Procurement Reference Group by 31 October 2002;</li> </ul>	Completed. The Discussion Paper was considered by the Procurement Reference Group in October 2002.
<ul style="list-style-type: none"> <li>• in conjunction with the Department of Premier and Cabinet, collect data on agency IT procurement activities for analysis and development of strategic sourcing options by 30 June 2003; and</li> </ul>	In progress. The initial data collection stage was completed in June 2003. The report is expected to be completed by December 2003.
<ul style="list-style-type: none"> <li>• by 30 June 2003, examine and report on options for further progressing Government objectives and delivering value for money through procurement procedures and policies.</li> </ul>	Completed. A Strategic Planning Day was held in June 2003 to develop strategies for coming years.

<b><i>Financial management – Government Businesses and other State Authorities</i></b>	
Subject to Parliamentary approval of the <i>Government Business Enterprises Amendment Bill 2002</i> , Treasury will revise the Treasurer's Instructions under the <i>Government Business Enterprises Act 1995</i> (GBE Act) by 30 June 2003.	Completed. The Treasurer's Instructions under the <i>Government Business Enterprises Act 1995</i> were revised and reissued in May 2003. Minor revisions to the Treasurer's Instructions will be undertaken in 2003-04.
Treasury will finalise a Discussion Paper on standardising and regulating financial management and reporting in State Authorities by December 2002.	Completed. The Discussion Paper was completed in March 2003. Treasurer's Instructions on financial reporting and strategic planning for statutory authorities are to be developed as part of the review of the FMAA planned for 2003-04.
During 2002-03, Treasury will consolidate the introduction of Shareholder Value Added (SVA) and continue to educate stakeholders about its uses and interpretation.	Completed. SVA has been implemented by all Government Businesses.
During 2002-03, Treasury will provide advice to the Stakeholder Ministers following receipt of a report on the new Board's review on the operations of the Southern Regional Cemetery Trust (SRCT) and options for the future governance of the SRCT.	Completed. In October 2002, the SRCT Board provided a report on future ownership of the SRCT to Government. Cabinet approved the retention of the current expertise based Board for the life of the Board. The Board will be reviewed in 2005.
By June 2003, Treasury will facilitate the renegotiation of the Public Trustee Community Service Obligation (CSO) contract on behalf of the Treasurer (the Purchasing Minister).	Deferred. The current contract has been extended until June 2004. A new three-year contract will be negotiated by June 2004.
By December 2002, Treasury will prepare a paper on a general dividend policy for Government businesses for consideration by the Treasurer.	In progress. Initial papers have been prepared and the final paper on the dividend policy is expected to be completed by September 2003.
During 2002-03, Treasury will provide, as required, advice on the utilisation of private sector capital for public infrastructure projects.	In progress. Treasury is continuing to monitor developments in other jurisdictions.
By June 2003, Treasury will develop a policy framework for the consideration and approval of expansion proposals by Government businesses, having regard to the Government's economic and fiscal objectives.	Deferred. This item has been deferred until 2003-04.

By December 2002, Treasury, in conjunction with the Department of Premier and Cabinet, will develop and implement an induction program for new Board members for Government businesses.	Deferred. This item has been deferred until 2003-04.
<b><i>Education and Communication</i></b>	
Treasury will continue to improve the useability of its Web sites to improve functionality and access for users.	Ongoing. The Budget and Finance Division's Web pages were reviewed during 2002-03. The revised and restructured Web pages will be implemented in September 2003.
Treasury will convene meetings of the Financial Management Forum, in October 2002 and May 2003, to facilitate the sharing of information between agencies.	Completed. Financial Management Forums were held in October 2002 and May 2003.
Treasury will publish an integrated 2003-04 Budget and financial reporting calendar in October 2002.	Completed. The financial reporting calendar has been printed and was distributed in September 2002.
Treasury will continue to advise on financial management reform issues through the regular Treasury newsletter @ <i>treasury.tas</i> .	Ongoing. Issues of @ <i>treasury.tas</i> were released in July 2002, November 2002 and April 2003.
During 2002-03, Treasury will:	
<ul style="list-style-type: none"> <li>develop and implement targeted communications skills training for Treasury staff; and</li> </ul>	Ongoing.
<ul style="list-style-type: none"> <li>maintain a list of all external financial management presentations on TresNet.</li> </ul>	Ongoing.
Treasury, in consultation with an inter agency working group, will:	
<ul style="list-style-type: none"> <li>oversee a survey, to be completed by November 2002, of inner Budget agencies to identify financial management and training and education needs for those agencies;</li> </ul>	Completed. The survey results were finalised and made available to the Financial Management Forum in February 2003. Results were also presented at the Strategic Planning Day in March 2003.
<ul style="list-style-type: none"> <li>based on the results of the survey, develop an education and training strategy in financial management, for inner Budget agencies by January 2003; and</li> </ul>	Completed. The training strategy was and issued to agencies for comment in March 2003.
<ul style="list-style-type: none"> <li>convert the education and training strategy into a financial management training and education program for inner Budget agencies for the period 2002-03 to 2006-07, by March 2003.</li> </ul>	In progress. A consultant was appointed in June 2003 to develop the program by August 2003.

# 10 Appendix 2 - Relevant Treasury Publications

## 2002-03

*Tasmania's Energy Reform Framework – Entry to the National Electricity Market*, April 2003. \*

*Comfin News*; June 2002, September 2002, October 2002, January 2003 and March 2003. \*

*National Competition Policy Progress Report*; May 2003.\*

*Legislation Review Program Procedures and Guidelines Manual*; May 2003. \*

*Subordinate Legislation User's Guide*; May 2003.

*The Competition Index 2002: A State-by-State Comparison*; October 2002. \*

*Quarterly Statements of the Consolidated Fund*; July 2002, October 2002, January 2003, April 2003. \*

*Treasurer's Financial Statements for the year ended 30 June 2002*; September 2002. \*

*Consolidated Financial Statements for the State of Tasmania 2001–02*; December 2002.

*Tasmania's Financial Management Reform Strategy – 2002 Progress Report*, October 2002  
*Loan Council Mid-Year Report*; March 2003. \*

*Loan Council Outcomes Report*; November 2002. \*

*Government Vehicle Fleet Management – Contract Management Handbook*; August 2002.

*Riskmatters – Tasmanian Risk Management Fund (TRMF) Newsletter*; September 2002, December 2002, March 2003 and June 2003.

*Agency Guidelines for Quarterly Reporting*; December 2002.

*SOC Guidelines for Quarterly Reporting*; December 2002.

*GBE Guidelines for Quarterly Reporting*; December 2002.

*Public Works Tender Board Guidelines – Workplace Health and Safety Systems*; December 2002.

*Contractor Health and Safety Management for Tasmanian Government Building Works and Maintenance Services – Policy Document*; December 2002.

*2001–02 Tasmanian Risk Management Fund Annual Report*; April 2003. \*

## **2001-02**

*Quarterly Statements of the Consolidated Fund*; July 2001, October 2001, January 2002, April 2002.

*Comfin News*; September 2001, December 2001 and April 2002.\*

*Quality Assurance Auditor's Manual*; September 2001.\*

*Treasurer's Financial Statements for the year ended 30 June 2001*; September 2001.\*

*Best Practice Guide for the Administration of Grants*; October 2001.\*

*Tasmania's Financial Management Reform Strategy – 2001 Progress Report*; October 2001.\*

*Loan Council Outcomes Report*; October 2001.\*

*Department of Treasury and Finance Annual Report 2000–01*; November 2001.\*

*Consolidated Financial Statements for the State of Tasmania 2000–01*; December 2001.

*Tasmanian Risk Management Fund Procedures Manual*; January 2002.\*

*Procurement Profiling – A Guide for Agencies*; March 2002.\*

*A Guide for the Establishment of Tender Review Committees*; March 2002.\*

*Loan Council Mid-Year Report*; February 2002.\*

*National Competition Policy Progress Report*; May 2002.\*

*Budget Paper No. 1 “Budget Overview 2002-03*; May 2002.

*Budget Paper No. 2 “Operations of Government Departments 2002-03*; May 2002.

*Budget Speech 2002-03*; May 2002.

*The Tasmanian Government Financial System*; May 2002.\*

*Cabinet Guidelines for Negotiating Commonwealth–State Agreements*; June 2002.\*

*Riskmatters – Tasmanian Risk Management Fund (TRMF) Newsletter*; June 2002.\*

@treasury.tas - *Treasury Newsletter*; July 2001, October 2001, December 2001, March 2002.\*

*Accrual Budgeting and Financial Management e-mail bulletins.*

## **2000-01**

*Purchasing Goods and Services - A Guide for Government Buyers; May 2001.\**

*Tasmanian Government Purchasing – A Guide for Business; October 2000.\**

*Guiding Principles for Private Sector Participation in Public Sector Infrastructure Provision; July 2000.\**

*Handbook for Government Procurement; September 2000.\**

*Private Sector Participation in Public Infrastructure Provision – Policy Statement; July 2000.*

*Budget 2001-02 Community Consultation Submission Guidelines; September 2000.\**

*Tasmanian Government Financial System 2001; May 2001.\**

*Tasmania's Financial Management Reform Strategy – 2000 Progress Report; November 2000.\**

*Guidelines for Effective Cash Management in Agencies; July 2001.\**

## **1999-00**

*Consolidated Financial Statements for the State of Tasmania 1998-9; June 2000.\**

*The Tasmanian Government Financial System; May 2000.\**

*Superannuation in the Tasmanian Public Sector – A broad outline of the arrangements for new public sector employees; April 2000.*

*Report on the Trial Accrual Budgeting Process and Recommended Future Direction; November 1999.\**

*Guidelines for Professional Indemnity and Public Liability Insurance for Building Works and Services; September 1999.\**

*Guidelines for Tender Evaluation Using Weighted Criteria for Building Works and Services; September 1999.\**

*Tasmania's Financial Management Reform Strategy – 1999 Progress Report; September 1999.\**

*Shareholder Value Added; A discussion paper for Government Business Enterprises and State-owned Companies; July 1999.\**

## **1998-99**

*Probity Guidelines for Tendering and Contracting; May 1999.\**

*Corporatisation Principles for Local Government Business Activities; January 1999.\**

*Tasmania's Financial Management Reform Strategy - 1998 Update*; December 1998.\*

*Tasmanian Code of Practice for the Construction Industry*; December 1998.\*

*Corporate Governance Handbook*; December 1998.\*

*Contract Documentation, Delegation and Risk*; December 1998.\*

### **1997-98**

*Building Maintenance Manual*; June 1998.\*

*Best Practice for the Engagement of Consultants*; March 1998.\*

*Commonwealth Tax Compensation and Privatisation*; March 1998.\*

*Leasehold Procurement and Administration Guidelines*; March 1998.

*Tasmania's Debt Burden*; February 1998.\*

*The Impact on the Consolidated Fund of the Partial Sale of the HEC*; February 1998.\*

*The Structural Separation of the Hydro-Electric Corporation. National Competition Policy Implications*; February 1998.\*

*The Tasmanian Budget: Competing Demands and Budgetary Constraints*; February 1998.\*

*Valuation and Reporting of Non-Current Physical Assets*; December 1997.

*Guidelines for Leasing*; November 1997.

*Referral to the Parliamentary Standing Committee on Public Works*; November 1997.\*

*Performance Information for Management and Accountability Purposes - An introductory guide for Tasmanian inner-Budget agencies*; October 1997.\*

*CTC Costing Guidelines*; October 1997.

*Public Works Tender Board Guidelines*; October 1997.

*Guidelines for Implementing Full Cost Attribution Principles in Government Agencies*; September 1997.

*Tasmania's Financial Management Reform Strategy - 1997 Progress Report*; September 1997.\*

“A Strategic Asset Management Framework for the Tasmanian State Service”, *IPAA Communique No. 72*; July 1997.

*Competitive Tendering and Contracting Implementation Manual*; July 1997.

## **1996-97**

*Full Cost Attribution Guidelines for Local Government*; June 1997.

*Competitive Tendering and Contracting Implementation Manual*; May 1997.

*Guidelines for Definition, Costing and Reporting on Policy Advice Outputs*; May 1997.

*Handbook for Government Procurement*; May 1997.

*Strategic Asset Management Framework*; May 1997.

*Project Initiation Process*; April 1997.

*Tasmanian Government Inner Budget Sector Budget Management Guidelines*; April 1997.

*Guidelines for Considering the Public Benefit Under the National Competition Policy*; March 1997.

*Budget Committee Process*; February 1997.

*Performance Information and the Budget Process*; November 1996.

*Competitive Tendering and Contracting: A Policy Framework for the Tasmanian Public Sector*; September 1996.

*Application of Competitive Neutrality Principles to the State Government Sector*; July 1996.

*Extension of Part IV of the Trade Practices Act to all businesses in Tasmania*; July 1996.

*Reviews of Legislation that Restrict Competition*; July 1996.

*Tasmania's Financial Management Reform Strategy*; July 1996.

\* Available at the Treasury Web site, <<<http://www.treasury.tas.gov.au>>>

## 11 Appendix 3 - Addresses in 2002-03

### ***“The Story of Tasmania’s Government Finances”***

Address by D W Challen, Secretary, to the Department of Primary Industries, Water and Environment Senior Staff Conference, 9 July 2002

### ***“Social and Economic Trends in Tasmania”***

Presentation by Chris Lock, Director, Economic Policy Branch, to the Tasmanian Schools Administrators Association Annual Conference, Hobart, 11 July 2002

### ***“The Benefits of Studying Economics”***

Presentation by Chris Lock, Director, Economic Policy Branch, to Wrest Point Annual Economic Challenge, Hobart, 27 August 2002

### ***“Guidelines for Public Liability and Professional Indemnity Insurance”***

Presentation by Craig Jeffery, Director, Procurement and Property Branch, to the Association of Consulting Engineers Australia, Hobart, 30 August 2002

### ***“The Tasmanian Survey of Business Expectations and Some Longer-Term Trends”***

Address by D W Challen, Secretary, to the Tasmanian Chamber of Commerce and Industry and the Commonwealth Bank of Australia Business Luncheon, 10 October 2002

### ***“A View from the Stakeholder”***

Presentation by Philip Mussared, Deputy Secretary, to the DIER Organisational Conference, 17 October 2002

### ***“Overview of National Competition Policy”***

Presentation by Chris Lock, Director, Economic Policy Branch, to the National Conference of Local Government, Hobart, 23 October 2002

### ***“Tasmanian Government Office Accommodation”***

Presentation by Gary Boud, Assistant Director, Procurement and Property Branch, to the Government Real Estate Group, 23 October 2002

### ***“Government Procurement Policy”***

Presentation by Craig Jeffery, Director, Procurement and Property Branch, to the Public Accounts Committee, 23 October 2002

### ***“Government Procurement Policy and Processes – An Overview”***

Presentation by Kim Hudson, Assistant Director, Procurement and Property Branch, to Government buyers: Hobart, 16 October 2002, 21 October 2002, 28 November 2002, 5 and 12 December 2002, 18 February 2003, 6 and 8 May 2003: Launceston, 3 December 2002

### ***“Breakfast with the Commissioner of State Revenue”***

Presentation by Peter Coe, Executive Director, Revenue, Gaming and Licensing Division, and others, to an audience of industry professions and key stakeholders, Hobart 27 November 2002; Devonport 01 April 2003 and Launceston 02 April 2003

### ***“Tasmanian Revenue Online Launch”***

Introduction and Opening Address by D W Challen, Secretary, 10 December 2002

***“Contributing to Policy Thinking: Observations from Experience”***

Address by D W Challen, Secretary, to the Professional Development Program, 21 February 2003

***“Tasmania’s NEM Entry Legislation”***

Presentation by Richard Sulikowski, Director, Energy Markets Branch, to the Major Employers Group, Launceston, 6 March 2003

***“Tasmanian Government Office Accommodation and Crown Property Disposals”***

Presentation by Gary Boud, Assistant Director, Procurement and Property Branch, to the Property Council of Australia, 12 March 2003

***“purchasing.tas.gov.au – tenders, contracts, tools and information for government buyers and suppliers”***

Presentation by Kim Hudson, Assistant Director, Procurement and Property Branch, to various Government agencies, Councils and Tasmanian businesses, Hobart, 19 March 2003

***“Public Liability Insurance”***

Presentation by Jenny Milne and Amelia Jones, Principal Policy Analysts, Economic Policy Branch, to the Clarence Community Health Centre, 8 April 2003

***“Introduction to Procurement and Contracting”***

Training course by Gerry Allen, on behalf of the Procurement and Property Branch, to Government buyers, Hobart, 10 and 11 April 2003

***“Tasmania’s Financial Situation”***

Presentation by Philip Mussared, Deputy Secretary, to the Managing Policy Program, 15 April 2003

***“The Treasury Role in the Public Sector”***

Address by D W Challen, Secretary, to the Graduate Training and Development Program, 13 May 2003

***“Project Management: A Practitioner’s Perspective”***

Presentation by Philip Mussared, Deputy Secretary, to a Workshop on Project Management, May 2003

***“The 2003–04 Budget”***

Address by D W Challen, Secretary, to the Institute of Public Administration Australia, 30 May 2003

***“Complying with the Subordinate Legislation Act and the Government’s Legislative Review Program”***

Presentation by Regulation Review Unit, Economic Policy Branch, to 52 members of various Government agencies, Hobart, 17 June 2003