Tasmania

2002

The Tasmanian Government Financial System

Department of Treasury and Finance

May 2002

CONTENTS

1 INTRODUCTION

PURPOSE

The aim of this document is to provide summary information on the Tasmanian Government's financial system to assist readers in gaining an understanding of the financial operations of the Government and the Government's annual Budget Papers. As such this document provides a variety of information on the content of the Budget Papers, the structure of the Tasmanian Public Sector, government financial accounting, and the Budget development, review and monitoring process.

Also included in this document is information on other sources of Government financial information and a glossary of terms used in the Budget Papers.

A brief outline of the Budget and the Budget Papers is provided in the following section.

THE BUDGET AND BUDGET PAPERS

The Budget is the financial plan developed by the Government for the coming financial year. The Budget documents set out the Government's plans for the State sector as a whole, and for specific departments.

The core of the Budget is the annual Consolidated Fund Appropriation Bill. Other documents presented simultaneously to Parliament provide information on many aspects of the State's financial affairs, including receipts to, and expenditures from, the Consolidated Fund, the Government's financial assets and liabilities, the cost and funding of Outputs, the State Capital Program, financial relations with the Commonwealth Government and Local Government, the operations and performance of departments, State authorities, Government Business Enterprises (GBEs) and State-owned Companies (SOCs), and the economic outlook and underlying financial trends.

The following documents currently form the Budget Papers package.

Consolidated Fund Appropriation Bill

This Bill is the primary legislative instrument of the Budget. The Appropriation Bill provides authority for the expenditure of the total Recurrent Services and Works and Services expenditure, on a Ministerial portfolio basis, for each department, for the coming Budget year. Further detail on individual Ministerial portfolio Consolidated Fund expenditure is provided in Budget Paper No 2 *Operations of Government Departments* (see below).

Funds are also appropriated for specific purposes through other Acts of Parliament. Funds appropriated in this way are called Reserved by Law funding.

In 2000-01, the *Consolidated Fund Appropriation (Supplementary Appropriation for 2000-01) Act 2001* was passed by the Parliament and a *Consolidated Fund Appropriation (Supplementary Appropriation for 2001-02) Bill 2002* will be presented to Parliament in the 2002 Budget Parliamentary session. These appropriations have been introduced in accordance with the requirements of the *Public Account Act 1986* to appropriate additional available funds for specific community and infrastructure development purposes which were not foreseen at the time of the original Budgets.

Budget Speech

This Budget Paper provides the full text of the Treasurer's Second Reading Speech for the Consolidated Fund Appropriation Bill which is delivered in the House of Assembly. It explains the Government's economic and financial strategy and outlines key Budget initiatives for the forthcoming Budget year.

Budget Paper No 1 *Budget Overview*

Budget Paper No 1 includes information which explains the context in which the Budget has been developed. It provides an overview and a detailed explanation of the major strategies of the Government in the coming financial year and the main revenue and expenditure areas in the Budget. The information provided includes an estimate of the actual outcome for the current financial year, estimated receipts and expenditures for the Budget year, forward estimates - projecting Consolidated Fund receipts, expenditure and the Consolidated Fund Surplus (CFS), for the Budget year and each of the following three financial years - and assets and liabilities of the Tasmanian public sector.

Budget Paper No 1 also includes information on the Tasmanian economy and its performance, Commonwealth-State financial relations, Local Government issues, Government Financial Estimates information and information in relation to State authorities, GBEs and SOCs.

Budget Paper No 2 *Operations of Government Departments*

Budget Paper No 2 includes a range of information on each Government department. This includes information on the major issues being faced by the department, major departmental initiatives for the coming Budget year and detailed departmental financial information. Departmental financial information is presented on an Output Group and Output basis and represents the total resources available to departments from the Consolidated Fund and the Special Deposits and Trust Fund, including other sources of revenue such as retained revenues and Commonwealth funding.

This Budget Paper provides details of the Consolidated Fund appropriations included in the Appropriation Bill. As such, Budget Paper No 2 provides the basis for Parliament's detailed review of the Appropriation Bill.

Budget Paper No 2 also includes performance information for each department. This information is also presented on an Output Group basis and provides an important means of assessing the extent to which Outputs are contributing to the achievement of agency Outcomes.

Budget Summary

This document provides a brief summary of the major elements of the Government's Budget.

The Tasmanian Government Financial System

As indicated in the introduction to this chapter, this document provides an explanation of the Tasmanian Government financial system and the contents of the Budget documents. A glossary of terms used in the Budget documents is also included.

Other documents distributed with the Budget Papers

A variety of other documents can be distributed with the Budget Papers. These documents generally provide detailed information on major Government initiatives which assists in gaining an understanding of the information provided in the Budget Papers. In 2002-03, a document titled *Government Performance Report on Tasmania Together*, has been included for the first time.

Government Performance Report on Tasmania Together

This document provides information on the Government's plans for, and progress towards, achieving Tasmania *Together* goals.

2 THE TASMANIAN PUBLIC SECTOR

COMPOSITION OF THE TASMANIAN PUBLIC SECTOR

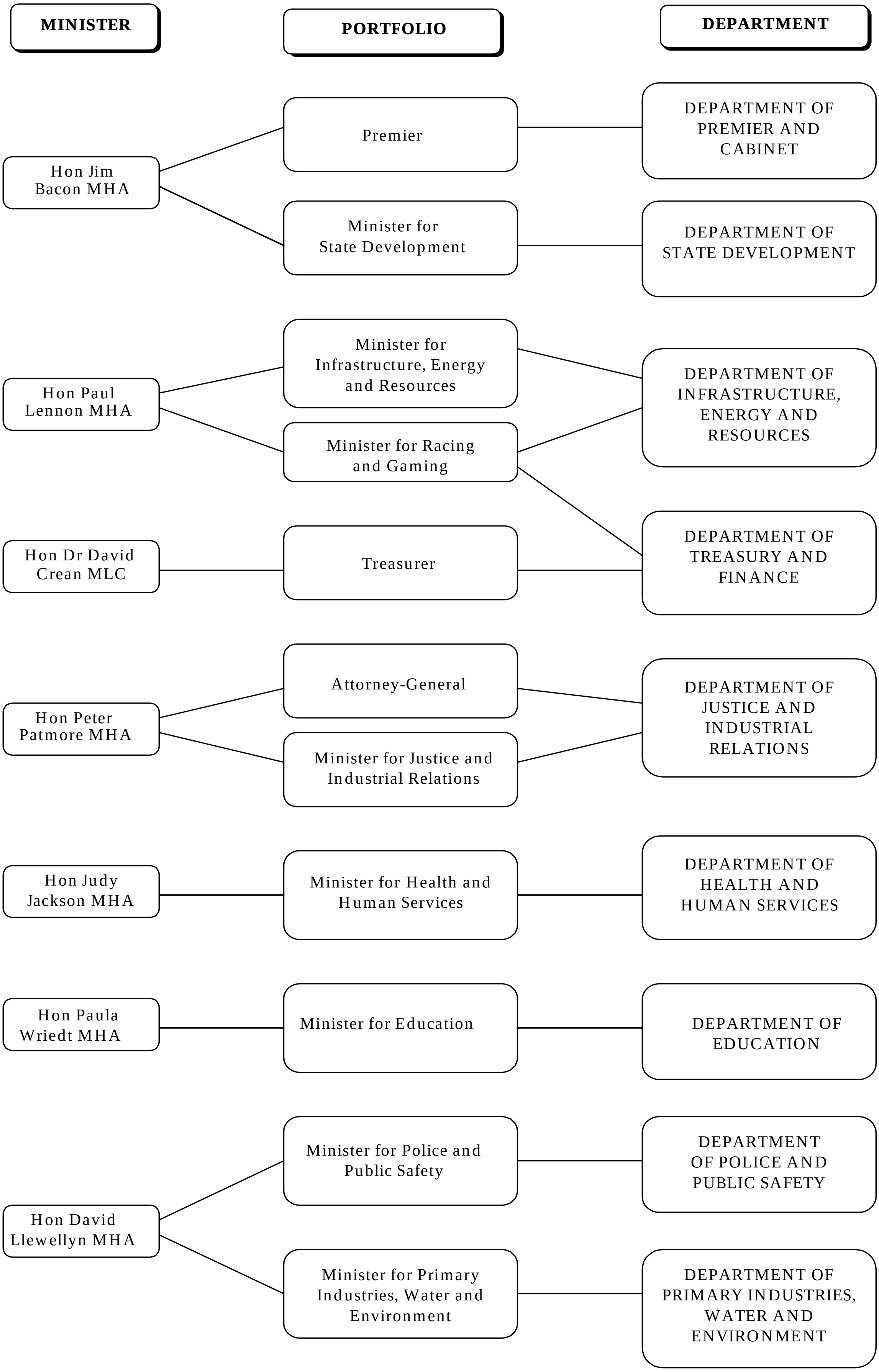
The Tasmanian Public Sector comprises several different types of entities. These include departments, statutory authorities and State-owned Companies (SOCs). Statutory authorities can be further classified as State authorities or Government Business Enterprises (GBEs). These entities have different functions and responsibilities, are established in varying ways and also have different relationships with the Budget.

Government Departments

State Government departments are established by order of the Governor, on the recommendation of the Minister responsible, under the provisions of the *Tasmanian State Service Act 2000* (the State Service Act). Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990*. Government departments are those listed in Schedule 1 of the State Service Act.

The following diagram illustrates the current Ministerial portfolio and departmental structure of the Tasmanian Government.

Structure of the Tasmanian Government



In general, departments are engaged in the provision of goods and services (Outputs) to the public, private businesses or other government bodies. Outputs may also include policy advice and the administration of regulations, grants and benefits. Outputs are provided by departments in order to achieve Outcomes which contribute to the accomplishment of the Government's policy objectives in areas such as health, education, law, public safety, the environment and community infrastructure. The Output Methodology is described in greater detail in Chapter 4 of this document.

Statutory Authorities

Statutory authorities are established under specific legislation which defines the purpose for which the authority has been established and the general functions for which it is responsible.

Statutory authorities can be classified into two distinct categories, namely:

- those authorities which are subject to specific requirements contained in their enabling legislation. Major authorities falling within this category include the State Fire Commission and Private Forests Tasmania. These authorities generally fulfil a regulatory/supervisory function. In this document, these authorities are described as State authorities; and
- those authorities which are subject to provisions contained in their enabling legislation and which are also subject to the provisions of the *Government Business Enterprises Act 1995* (GBE Act). Authorities in this category are those which undertake commercial trading activities and are listed in Schedule 1 of the GBE Act. Major authorities in this category include Hydro Tasmania, the Motor Accidents Insurance Board and Forestry Tasmania. These authorities are described as GBEs.

State-owned Companies

SOCs are established under specific or generic legislation which defines the purpose for which the SOC has been established and the general functions for which it is responsible. SOCs are subject to the Corporations Law with the Government as the only shareholder (through responsible Ministers).

Major SOCs are Aurora Energy Pty Ltd, TT-Line Company Pty Ltd, Metro Tasmania Pty Ltd, Transend Networks Pty Ltd and the Port Corporations (Hobart, Launceston, Burnie and Devonport).

Further information on State authorities, GBEs and SOCs can be found in Chapter 10 of Budget Paper No 1 *Budget Overview 2002-03*.

STATE PUBLIC SECTOR ENTITIES AND THE BUDGET

The entities which together form the Tasmanian Public Sector can also be classified from a State Budget perspective (ie primarily in terms of the level of funding provided from the Budget). On this basis three broad types of entity can be identified. These are:

- on-Budget entities;
- off-Budget entities; or

- non-Budget entities.

Categorisation of Tasmanian Public Sector entities as on-Budget, off-Budget or non-Budget entities is not necessarily a clear-cut exercise. There is not always a direct correlation between the organisational form of a government entity (for example, as a statutory authority) and the relationship of that entity to the State Budget.

The focus of the Budget and the Budget Papers is primarily on on-Budget and off-Budget entities. Non-Budget entities have a more limited coverage as their connection with the State Budget relates principally to their Community Service Obligations (CSOs), Community Service Activities (CSAs) and returns provided in the form of dividends, the payment of taxation equivalents and the payment of guarantee fees.

On-Budget Entities

This category incorporates all departments and some State authorities. Examples are the Department of Education and Private Forests Tasmania, respectively.

The major characteristics of an on-Budget entity are:

- it is funded totally or largely from the Consolidated Fund and therefore has a major direct impact on the State Budget. The vast majority of funds appropriated under the annual Appropriation Act are provided to on-Budget entities;
- it is subject to Ministerial direction, under the provisions of the *Public Account Act 1986*, the *Financial Management and Audit Act 1990* (FMAA) and, in the case of State authorities, specific enabling legislation; and
- it is required to prepare annual reports to be tabled in Parliament, with financial statements to be prepared on both a cash and accrual basis, and is subject to audit by the Auditor-General. The financial statements are required to comply with the relevant public sector accounting standards.

Off-Budget Entities

Off-Budget entities include those parts of departments that operate within the Public Account, but in a commercial or quasi-commercial environment with charges for services determined on a full cost recovery basis. Some off-Budget entities may also receive a funding contribution from the Consolidated Fund (eg the Telecommunications Management Division of the Department of Premier and Cabinet).

Characteristics of an off-Budget entity include:

- its operations are largely funded from operating revenues generated on a user pays pricing policy basis and processed through specific Business Unit Accounts in the Special Deposits and Trust Fund of the Public Account. There may be a direct impact on Budget expenditure as some off-Budget Entities receive funding from the Consolidated Fund;
- it is subject to the Public Account Act and the FMAA;
- some are subject to Ministerial direction; and

- it is required to prepare annual reports, with comprehensive financial statements, which comply with the relevant public sector accounting standards and are subject to audit by the Auditor-General.

Non-Budget Entities

This category includes a diverse range of entities, ranging from GBEs, such as Forestry Tasmania and The Public Trustee, to fully corporatised SOCs such as Aurora Energy Pty Ltd, TT Line Company Pty Ltd, Transend Networks Pty Ltd and the Port Corporations (Hobart, Launceston, Burnie and Devonport).

Government Business Enterprises

These entities:

- operate outside the Public Account, principally on the basis of funds derived through their operations, and have no direct impact on Budget expenditure except in circumstances where they receive funding for CSOs or receive payment for services provided eg third party motor vehicle insurance provided to agencies;
- may provide returns to the Consolidated Fund in the form of dividends to stakeholders (the State) and the payment of taxation equivalents and guarantee fees;
- are subject to their own enabling legislation and the GBE Act;
- prepare annual reports, with financial statements on a commercial, accrual basis which are tabled in Parliament and are subject to audit by the Auditor-General as the auditor appointed by the stakeholders. The accrual financial statements are prepared according to applicable accounting standards; and
- may receive CSO payments which are reported as Administered Payments by the purchasing department.

State-owned Companies

These entities:

- operate outside the Public Account, principally on the basis of funds derived through their operations, and have no direct impact on Budget expenditure except in circumstances where they receive funding for CSAs and in circumstances where they receive payment for services provided eg electricity provided to agencies;
- provide returns to the Consolidated Fund in the form of dividends to shareholders (the State) and the payment of taxation equivalents and guarantee fees;
- are subject to specific legislation (eg TT-Line Company Pty Ltd is subject to the *TT-Line Arrangements Act 1993*) or generic enabling legislation (eg Aurora Energy Pty Ltd is subject to the *Electricity Companies Act 1997*);
- are also subject to the Corporations Law;

- prepare annual reports, with financial statements on a commercial, accrual basis which are tabled in Parliament and are subject to audit by an auditor appointed by the shareholders, currently the Auditor-General. The accrual financial statements are prepared according to applicable accounting standards; and
- may receive CSA payments which are reported as Administered Payments by the purchasing department.

Other Non-Budget Entities

Other non-Budget public sector entities principally cover institutions such as the Retirement Benefits Fund Board and any statutory authorities which operate entirely outside the Public Account with no financial contribution being provided from the Consolidated Fund. These entities:

- operate outside the Public Account, on the basis of funds derived through their operations, and they have no impact on Budget expenditure;
- may be required to provide returns to the Consolidated Fund;
- are generally subject to their own enabling legislation; and
- may be required to prepare annual reports, with financial statements on an accrual basis which are tabled in Parliament and are subject to audit by the Auditor-General, depending on the provisions of the relevant governing legislation. The accrual financial statements are prepared according to applicable accounting standards.

3 GOVERNMENT FINANCIAL ACCOUNTING

THE PUBLIC ACCOUNT

The Government's financial operations are principally conducted within the Public Account, established under the authority of the *Public Account Act 1986*. The Public Account comprises two separate Funds, the Consolidated Fund and the Special Deposits and Trust Fund. Transactions through both these Funds are specifically linked to individual Outputs of Government departments.

The Consolidated Fund

The Consolidated Fund contributes to the operations of all on-Budget departments, is the source of funding for Reserved by Law payments and may make some contribution to the operations of off-Budget entities. The following sections provide information in relation to expenditure from, and receipts to, the Consolidated Fund.

There are two types of expenditures from the Consolidated Fund, recurrent services expenditure and works and services expenditure.

Recurrent Services Expenditure

Recurrent services expenditure is provided by Parliament to meet the cost of the ordinary annual services provided by the Government. The major recurrent services expenditures are salaries and other operating costs associated with the operation of departments. Operating costs include building services and maintenance, minor works and furniture and equipment purchases. In addition to the general operating expenditures, Reserved by Law payments are also made to departments on a recurrent basis. Reserved by Law payments are made where there is a legislative requirement for funding to be provided for specific purposes without the necessity for annual appropriation through the Consolidated Fund Appropriation Act. Examples of Reserved by Law expenditure include the funding for the salary of the Auditor-General and pensions payable under the *Judges' Contributory Pensions Act 1968*.

To ensure that particular Outputs receive the level of funding determined by the Government during the development of the Budget, recurrent services expenditure is further classified as being either Output Expenditure or an Administered Payment as follows:

- Output expenditure is expenditure over which a department has the flexibility to reallocate funds to other approved purposes and initiatives within the limits of Budget allocation principles. A department has the discretion to apply funds within the Output and, subject to specific restrictions imposed by the Treasurer, may transfer funds from that Output to another of the department's Outputs. While this is the case, Heads of Agency remain responsible for the provision of the agreed level and range of Outputs purchased by the Government. In relation to Works and Services and Reserved by Law expenditures, departments do not have the discretion to transfer these funds to another Output; and

- Administered Payments relate to payments or concessions made by the Government to individuals, groups or organisations. Administered Payments do not represent Outputs of a department, rather it is the administration of these payments that represents an Output of a particular department. Levels of individual Administered Payments are determined by the Government, having regard to particular policy objectives. These payments are non-discretionary in that a department does not have the discretion to either alter the level of Administered Payments from that agreed by the Government, or to transfer the funds to Outputs. Examples of Administered Payments are the funds provided by the Government to private operators, through the Department of Infrastructure, Energy and Resources, for student transport services and the significant funding provided to a large number of community sector organisations, through the Department of Health and Human Services, for community health and support services.

Works and Services Expenditure

Works and services expenditure is provided to meet construction costs and the purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals. Works and services expenditure is provided under the Capital Investment Program (CIP) and separate roads and housing programs. The CIP links investment by the Government in capital and maintenance projects with the corporate and asset management plans of departments and specific Government policy objectives.

Expenditure from the Consolidated Fund

Funds may only be expended from the Consolidated Fund under the authority of an Act of Parliament. These Acts are:

- the annual Consolidated Fund Appropriation Act and Second Appropriation Act. Most of the expenditure from the Consolidated Fund is authorised by these Acts, which are the central elements of the Budget. These Acts authorise over 90 per cent of all expenditure from the Consolidated Fund; and
- other Acts authorising specific items such as the payment of salaries for the Judiciary and Parliamentarians. These appropriations are 'standing items' because they do not need to be passed by Parliament each year. They are referred to as Reserved by Law payments.

Funds may also be appropriated by a Supply Act. Since the introduction of a May Budget in 1999, a Supply Act has not been required.

Consolidated Fund Receipts

Under the *Public Account Act 1986*, unless specifically excluded by that Act or another statute, all revenue of the State is to be credited to the Consolidated Fund. The Consolidated Fund receives funds from a number of sources, the major categories being:

- receipts from the Commonwealth for general recurrent purposes such as GST Revenue and Transitional Grants;
- receipts from the Commonwealth for specific recurrent purposes such as Health Care, Disability Services and Home and Community Care;
- receipts from the Commonwealth for specific capital purposes such as Primary and Secondary Education, Technical and Further Education and the National Highway System;
- State Taxation receipts, the major items being Payroll Tax, Stamp Duties and Casino and Licence Fees;
- Government Business Enterprises payments to the Government for dividends, tax equivalents and guarantee fees;
- Departmental Fees and Recoveries which include such fees as Land Titles Office fees, driver licence fees and vehicle registration fees;
- Resource Rents and Royalties, the major item being mineral royalties.

A complete listing of individual Consolidated Fund receipts is provided in Chapter 4 of Budget Paper No 1 *Budget Overview 2002-03*.

Consolidated Fund Surplus

The excess of Consolidated Fund receipts over the expenditure of these funds (net of loan repayments) is the Consolidated Fund Surplus (CFS). A CFS represents funds which are available for the retirement of debt. Until 1999-00, reflecting Budget deficits, the Net Financing Requirement (NFR) required to be funded by new borrowings, rather than the CFS, was the primary focus of the Budget outcome.

The Special Deposits and Trust Fund

The Special Deposits and Trust Fund consists of a number of individual accounts designated for specific purposes. The *Public Account Act 1986* provides the Treasurer with the authority to establish these accounts, to prescribe the purpose for which they may be used and to attach conditions to their operation.

Accounts within the Special Deposits and Trust Fund are classified as Department Operating Accounts, Business Unit Accounts, Legislative Accounts, Trust Accounts or Overdraft Accounts as follows:

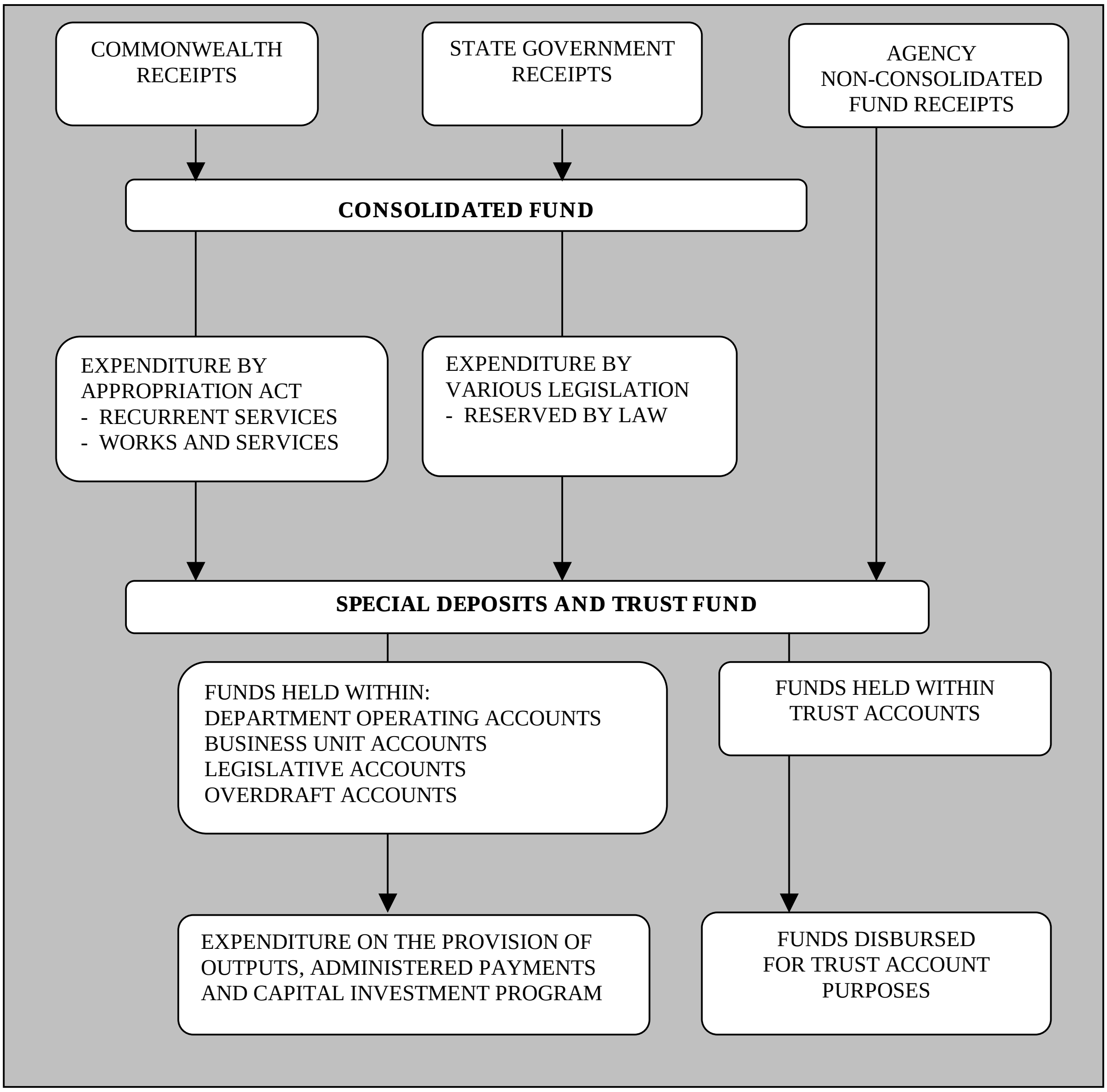
- Department Operating Accounts were established in 1996-97, in conjunction with the implementation of the Output Methodology. With the exception of transactions through other specific purpose accounts in the Special Deposits and Trust Fund, all department-related transactions are now recorded through individual Department Operating Accounts. These Accounts receive funds appropriated from the Consolidated Fund by the annual Consolidated Fund Appropriation Act and retain certain revenue that is not identified for return to the Consolidated Fund. The amalgamation of departmental transactions through Department Operating Accounts in the Special Deposits and Trust Fund has facilitated the consideration of the total resourcing of Government Outputs that is central to the successful implementation of the Output Methodology;

- commercial and quasi-commercial activities of Government departments are undertaken through a Business Unit Account. These activities are usually funded from income generated by the Business Unit, on a full cost recovery basis, although some Business Units may receive a contribution from the Consolidated Fund. Examples of Business Units are the Office of the Valuer-General and the Tasmanian Audit Office;
- Legislative Accounts have been created where an Act requires a specific account to be established in the Special Deposits and Trust Fund to record transactions associated with a specific purpose. An example of this type of account is the Crown Lands Administration Fund;
- Trust Accounts are accounts in which funds are held by the Government on behalf of a third party. These funds are not available to the Government to spend for its own purposes. Examples of Trust Accounts are the Tsuneichi Fujii Fellowship Account and the Supreme Court Suitors Fund Deposit Account; and
- Overdraft Accounts have been established in the Special Deposits and Trust Fund to enable the Government to use cash generated from the Special Deposits and Trust Fund as a temporary source of finance. This amounts to internal borrowings that reduce the Government's requirement to borrow in external capital markets. An example of an Overdraft Account is the Government Car Fleet Account which is used for the purchase of government vehicles.

Details of transactions and balances of accounts in the Special Deposits and Trust Fund are provided in the Treasurer's Annual Financial Statements and departmental Annual Reports.

The following diagram summarises the operation of the Public Account.

Operation of the Public Account



4 THE BUDGET METHODOLOGY AND BUDGET CYCLE

The Output Methodology was fully adopted as the Budget Methodology for the 1996-97 Budget, replacing the previous system of appropriating funds on a Program basis. As has previously been the case, the financial information presented in the 2002-03 Budget Papers using the Output Methodology is determined on a cash basis. Notwithstanding the current determination of the Budget on a cash basis, an accrual budgeting framework is being developed with a view to its adoption for the 2003-04 Budget. Further information on the Output Methodology and the movement from cash to accrual based Budgets is provided in the following sections.

THE OUTPUT METHODOLOGY

The Output Methodology is an approach to the management of the total public resources of the State which focuses attention on the Outputs the Government is providing to the community and whether these Outputs are having the intended effect on the Government's policy objectives.

Outputs and Outcomes

Outputs are goods and services produced by, or on behalf of, a department and provided to customers outside that department. The Government purchases Outputs from departments in order to achieve policy objectives, or Outcomes.

An Outcome is the effect on the community of the Outputs that are purchased by the Government.

Outcomes can be further segregated into Community Outcomes, Government Policy Priorities and Agency Outcomes.

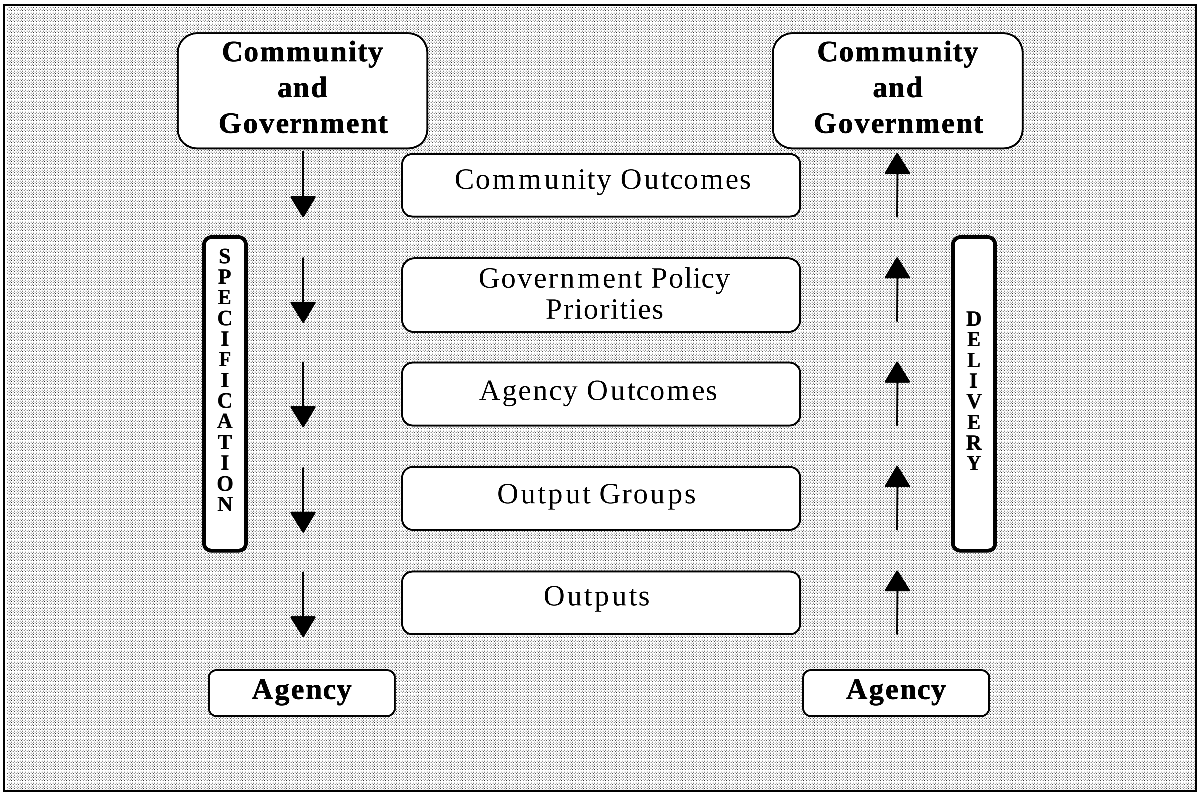
Community Outcomes are those Outcomes which are achieved over the longer term through contributions from all sectors of the Tasmanian community. Through the Tasmania *Together* process, the Tasmanian Government has placed a strong emphasis on the development of Community Outcomes. The related benchmarks will assist in determining the extent to which these Outcomes are achieved.

Government Policy Priorities are those policy directions which indicate a change in direction, an area of reform or a change in priority by the Government.

Agency Outcomes are those Outcomes for which an agency is accountable and which contribute to the achievement of both Government Policy Priorities and Community Outcomes.

The Outcome-Output framework is represented diagrammatically below:

Relationship Between Outcomes and Outputs



Focus on Total Resources

Prior to the introduction of the Output Methodology, the focus of Government and public attention was on the Consolidated Fund, as this Fund is the basis of the Government's Budget. The Output Methodology facilitates consideration of the full cost of providing the Government's Outputs, focusing attention on the Government's total resourcing of Outputs through both the Consolidated Fund and the Special Deposits and Trust Fund.

The clear identification of the full cost of Outputs enables the Government and departments to improve their strategic decision making and resource allocation and allows the Government to determine if departmental Outputs are consistent with the Government's policy objectives and desired Outcomes.

THE MOVE TO ACCRUAL BUDGETING

The current basis for preparing the State Budget is cash transactions – that is, receipts and payments are recorded when the cash transaction occurs. Accrual budgeting is the preparation, management and presentation of a Budget based on generally accepted accounting principles. Whilst this has a number of important implications, compared to a cash basis, it means that items are brought to account as they are earned or incurred (not when cash is received or paid).

An accrual budgeting framework is currently being developed by Treasury, in conjunction with agencies, for the 2003-04 Budget. Consolidated accrual estimates for the General Government Sector (on-Budget entities only) were presented for the first time in 2001. Consolidated accrual estimates for 2002-03 based on the Uniform Presentation Framework for the General Government Sector are presented in Chapter 11 of Budget Paper No 1.

An accrual budgeting framework will:

- establish a clearer link between budgeting, accounting and reporting functions;
- provide a foundation to improve the management of financial resources of the General Government sector;
- focus on total resources, that is all sources of funds available within the General Government Sector;
- facilitate better resource decisions by showing the full cost of service delivery, including the effects of decisions made now that may affect service delivery in the future and highlights where current levels of service provision are not sustainable; and
- improve communication of financial information by providing Budget information that is presented in accordance with contemporary financial management principles.

THE BUDGET DEVELOPMENT CYCLE

The Budget documents, presented annually to Parliament in May, represent the culmination of an extensive process of review and analysis of the Government's finances.

The 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.

In the 2000-01 Budget Papers, the Government indicated that work was being undertaken to redevelop the Budget process to ensure that it was fully integrated with the new Tasmania *Together* focus and its related processes. This work has now been completed and a new Budget process has been developed. Key elements of the new process are:

- Tasmania *Together*, along with other major Government Policy Priorities such as the Industry Development Plan, Local Government Partnership Agreements and the Fiscal Strategy, will provide a framework for the annual development of the Budget;
- analysis of information by Treasury, Premier and Cabinet, Budget Committee and Cabinet includes a strong focus on the achievement of Tasmania *Together* priorities and benchmarks;
- increased focus on agency performance both in terms of Tasmania *Together* benchmarks and other agency-related performance indicators; and
- increased focus on the medium to longer term.

While Tasmania *Together* and its related benchmarks were not finalised in 2001, elements of the new Budget process were implemented for the development of the 2001-02 Budget. The new Budget processes were fully implemented for the 2002-03 Budget.

The Budget development process is summarised below.

Departmental forward estimate allocations for the next Budget year published in the Budget Papers (see Chapter 8 of Budget Paper No 1 *Budget Overview*) form the basis of the development of the Budget. During the Budget year the forward estimates are continually reviewed by Budget Committee, Treasury and departments to ensure that they reflect current circumstances and Government policy decisions.

In September, Cabinet, based on information provided by Budget Committee and a new Tasmania *Together* Inter-agency Committee (comprising Heads of Agencies), determines the overall framework for the development of the Budget for the following year.

Also in September each year, Budget Committee calls for submissions from the community in relation to the Budget for the coming financial year. Subsequently, in November, Budget Committee meets directly with peak community groups to discuss their submissions. Information received during this community consultation process is required to be addressed by departments during the Budget development process.

In late December, departments provide a comprehensive pre Budget submission to Treasury. This submission includes qualitative information such as the department's operating environment, major issues which could be expected to impact on the delivery of the department's Outputs over the forthcoming Budget year and links between Outputs/initiatives and established Outcomes (including Tasmania *Together* related Outcomes). Financial information required to be provided includes detailed financial estimates for both expenditure and revenue. Departments are also required to provide performance information relating to the Outputs produced and, where appropriate, established Tasmania *Together* benchmarks.

This detailed information provided by departments is then subject to a comprehensive analysis process by Treasury and the Department of Premier and Cabinet.

Following the completion of this analysis, detailed pre Budget reports relating to each agency are prepared by Treasury in consultation with the Department of Premier and Cabinet. These reports highlight the results of the analysis of each department's submission and identify the major issues facing each agency during the forthcoming Budget year. The pre Budget reports are provided to Budget Committee in late February and early March.

In March, Budget Committee meets with Ministers and Heads of Agency to discuss the information included in the pre Budget reports prepared by Treasury. Upon the completion of these meetings, a Budget Cabinet Submission is prepared by Treasury for consideration by Budget Committee and, following Budget Committee's consideration and endorsement of the Budget Cabinet Submission, the submission is provided to Cabinet for its consideration. The Budget is generally considered and finalised by Cabinet in early to mid April.

In finalising the Budget, Cabinet takes into account outcomes of the pre Budget report discussions between Budget Committee and Ministers, Tasmania *Together* goals and benchmarks, the Government's medium term fiscal strategy targets, input received by the Government through the Budget community consultation processes, the estimated result for the current year, national and State economic forecasts and a range of other factors. Important amongst these other factors will be the recommendations of the Treasurers' Conference in relation to the distribution of GST revenue and, in the short-term, guarantee payments to the States as required under the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA). The Treasurers' Conference comprises the Treasurer of the Commonwealth and the Treasurers of the states and territories. In excess of half of the State's total revenue is received directly from the Commonwealth in the form of tied and untied grants. For a detailed discussion of the financial relationship between the State and the Commonwealth, refer to Chapter 7 of Budget Paper No 1 *Budget Overview 2002-03*.

Once the Budget is finalised by Cabinet, Heads of Agency are advised of the proposed Budget allocation for their department for the Budget year as well as foward estimates for the subsequent three years.

Departmental information for inclusion in Budget Paper No 2 *Operations of Government Departments* is provided to Treasury by departments in early May.

The Budget Papers and related documents are then prepared by Treasury for presentation to Parliament by the Treasurer late in May.

PARLIAMENTARY REVIEW OF THE BUDGET

The Parliamentary Budget debate and Estimates Committee review process which occurs throughout June provides an opportunity for detailed Parliamentary scrutiny of, and debate on, the State's economic and financial position and the Government's overall objectives.

Following the introduction of the Consolidated Fund Appropriation Bill and Second Appropriation Bill into Parliament, the Budget is debated in the House of Assembly. Immediately after the second reading of the Bill, the Bill is referred to two House of Assembly Estimates Committees.

Estimates Committees are required to examine and report on the expenditures proposed in the Appropriation Bill. The Estimates Committee process involves members of the Committee asking Ministers wide ranging questions on departmental budget allocations and operations. Senior departmental representatives also attend Estimates Committee hearings to provide advice to Ministers.

On completion of the Estimates Committee hearings, each Estimates Committee prepares a report which is presented to the House of Assembly for further debate in Committee of the whole House. When the Bill has been agreed to by the House, the third reading of the Bill takes place and the Bill is referred to the Legislative Council.

The Legislative Council also undertakes an Estimates Committee process to facilitate the detailed analysis of the Budget by Members of the Legislative Council. In recent years, these Estimates Committees have sat at the same time as the House of Assembly Estimates Committees. Subsequent to the holding of the Estimates Committees and the passage of the Appropriation Bill through the House of Assembly, the Legislative Council debates the Consolidated Fund Appropriation Bill.

Any requests by the Legislative Council for amendments to the Bill are referred to the House of Assembly. The House of Assembly then considers whether to accept or reject any amendments proposed by the Legislative Council. If the House of Assembly decides to reject a proposed amendment, the Legislative Council is provided with an opportunity to withdraw the proposed amendment. The current Parliamentary arrangements do not provide any mechanism for resolving a deadlock between the two Houses.

In the event that the Appropriation Bill is not passed within the period covered by an existing Consolidated Fund Appropriation Act or a Consolidated Fund Supply Act (where such an Act is required), further Consolidated Fund Supply Bills can be introduced into Parliament to provide funds for ongoing Government operations, pending the passage of the new Appropriation Act.

Once the Consolidated Fund Appropriation Bill has been passed by both Houses of Parliament, it is presented to the Governor for Royal Assent. Since the move to a May Budget, the Appropriation Bill has received Royal Assent prior to 30 June.

5 MONITORING AND REVIEW OF THE BUDGET

Once the annual Consolidated Fund Appropriation Bill has been passed by Parliament, Treasurer's Expenditure Control Authorities (TECAs) are issued to all Ministers under section 14 of the *Financial Management and Audit Act 1990* (FMAA). TECAs are, as the name suggests, an authority from the Treasurer allowing Portfolio Ministers to expend funds up to, but not exceeding, the amount appropriated in the Consolidated Fund Appropriation Act. Ministers then authorise the responsible Head of Agency to incur expenditure not exceeding the limit of their respective TECAs.

Once the Budget year commences, the Budget monitoring and review process commences and continues until the end of the Budget year. This monitoring and review process is undertaken both at the departmental level by departmental management and at a whole-of-government level by Treasury.

As part of the Budget monitoring process, departments are required to report to Treasury any variation from Budget estimates as soon as the variation becomes known. Possible variations in departmental expenditure and revenue are also identified through ongoing discussions between Treasury and departmental officers which occur throughout the Budget year. This information is used by Treasury to manage the whole-of-government Budget on a day to day basis.

REVIEW AND VARIATION OF THE BUDGET

Situations may arise during the financial year which require a variation from the expenditure plans expressed in the Appropriation Act. For example, necessary expenditures may need to be incurred due to an unforeseeable change in circumstances, resulting in the initial agency appropriation being exceeded.

The Treasurer may approve the provision of additional funding for necessary increases in expenditure on Outputs, above that appropriated by the Appropriation Act. In these cases, the Treasurer's Reserve is utilised to provide the additional funding.

The Treasurer's Reserve is established within the Consolidated Fund by section 11 of the *Public Account Act 1986.* This section:

- enables the Treasurer to authorise expenditure for Recurrent Services in excess of amounts appropriated by Parliament where the need for the additional expenditure is deemed to be essential to efficient financial administration and could not reasonably have been foreseen before the introduction of the Appropriation Act into the Parliament; and
- fixes an upper limit on the amount that can be applied from the Treasurer's Reserve.

The components for the calculation of the upper limit of the Treasurer's Reserve consist of:

- a standing appropriation of $10 million - Finance-General Division: Appropriation to the Treasurer's Reserve (section 11(2)(a));
- an additional amount appropriated in the annual Appropriation Act - Finance-General Division: Treasurer's Reserve - Supplement (section 11(2)(b));
- any surplus or saving in a department's Recurrent Services appropriation which has not been utilised to fund a shortfall within that appropriation (section 11(2)(c));
- additional Commonwealth funds which become available after the Budget is finalised (section 11(2)(d)); and
- additional recurrent revenue generated within the Consolidated Fund during a financial year which is in excess of the Budget estimate (section 11(2)(e)).

Funding for additional Works and Services expenditure, in excess of amounts initially appropriated, may be authorised by the Treasurer, with the approval of the Governor-in-Council, under section 12 of the Public Account Act. This section makes provision for approval to be granted for additional funding from the Consolidated Fund, in anticipation of appropriation by Parliament, of an amount deemed necessary in the public interest to provide for expenditure for Works and Services. An amount authorised under section 12 as additional funding for new Works and Services expenditure is restricted to $1 million in the relevant financial year.

In the event that changes are authorised for a particular department's appropriation, then these alterations are implemented through the issuing of a revised TECA to the Minister responsible for that department.

Finally, in cases of emergency, the FMAA provides authority for additional expenditure from the Consolidated Fund, subject to the Treasurer obtaining a supporting report by the Auditor-General and the approval of the Governor-in-Council.

All expenditure in excess of appropriation is tabled in Parliament in accordance with section 19 of the Public Account Act on a quarterly basis. In addition, the total excess expenditure for a financial year is presented in the Treasurer's Annual Financial Statements. In the past two years, a second Appropriation Bill has been presented to Parliament to appropriate additional available funds for specific community and infrastructure development purposes which were not foreseen at the time of the original Budgets.

PARLIAMENTARY REVIEW

In addition to the initial Parliamentary review of the Budget outlined in the previous chapter, Parliament also conducts ongoing detailed analysis of the Government's finances and other issues, through the establishment of Committees. These Committees may be either established by statute, as is the case with the Public Accounts and Public Works Standing Committees, or through a vote of one or more Houses of Parliament. Examples of the latter are the Select Committees into Working Arrangements of Parliament, Industrial Relations and Community Development.

The following Committees are of particular importance to the Budget review process.

The Parliamentary Standing Committee of Public Accounts

The Public Accounts Committee is established under the *Public Accounts Committee Act 1970*. The role of the Committee is to inquire into, consider and report to the Parliament on any matter referred to the Committee by either House of Parliament relating to the management, administration or use of public sector finances or the accounts of any public authority or other organisation controlled by the State or in which the State has an interest. The Committee may inquire into, consider and report to the Parliament on any matter arising in connection with public sector finances that the Committee considers appropriate and any matter referred to the Committee by the Auditor-General.

The Parliamentary Standing Committee on Public Works

The Public Works Committee is established under the *Public Works Committee Act 1914*. The Committee comprises members drawn from both Houses of Parliament. The role of the Committee is to report on every proposal for public works costing $2 million or more of State Works and Services funds. The Committee is provided with plans, specifications and other material relating to the works and may summon witnesses if necessary. The Committee reports back to Parliament on its findings. Public works costing less than $2 million may, by resolution, be referred to the Committee. The process by which projects are to be referred to the Committee is detailed in the *Procurement Practices Manual* published by Treasury in November 1997.

The Public Accounts Committee and the Public Works Committee have been the subject of a review by the Joint Select Committee into Working Arrangements of Parliament. The recommendations of the Joint Select Committee are currently being considered by the Government.

Government Business Enterprise and Government Corporations Scrutiny Committees

Committees have been established by the House of Assembly and Legislative Council in recent years to inquire into the operations of select GBEs, State authorities and SOCs. In 2002, these Committees inquired into the performance of a number of major GBEs, State authorities and SOCs, including Hydro Tasmania, Aurora Energy Pty Ltd, Hobart Ports Corporation Pty Ltd and Forestry Tasmania.

6 OTHER GOVERNMENT FINANCIAL INFORMATION

UNIFORM GOVERNMENT REPORTING

The Consolidated Fund Appropriation Act, and other Acts which authorise expenditure, provide for substantial transfers between the Consolidated Fund and various accounts within the Special Deposits and Trust Fund. Significant amounts of expenditure are also funded from sources other than the Consolidated Fund. Consequently, the Budget aggregates, which cover financial transactions of the Government which are undertaken through the Consolidated Fund, do not reflect the total level of expenditure incurred by, or receipts of, the State public sector. To allow comparison between jurisdictions and the formation of national aggregates, the May 1991 Premiers' Conference agreed that the Commonwealth Government and state and territory Governments would present uniform financial information in Budget documents, including Operating Statement, Balance Sheet and Cash Flow Statement.

The Uniform Presentation Framework (UPF) was revised by the Australian Loan Council in March 2000. The framework was amended to adopt accrual based statistical reporting and it is agreed that all States will comply with the new framework by 2002-03. Most jurisdictions are already fully complying with the UPF. Accrual based UPF information has been included for the first time in Tasmania's 2002-03 Budget documents.

Government Finance Statistics (GFS)

The GFS classification adopts a nationally consistent format for presenting the financial transactions of governments and government trading enterprises. GFS facilitates comparison of financial performance across jurisdictions and are increasingly used by financial markets, credit rating agencies and other analysts and commentators. The determination of Loan Council Allocations (LCAs) is primarily based on GFS.

GFS provide a comprehensive record of the State Government's financial transactions, including those which do not necessarily relate to the State Budget. Other information presented in the Budget documents, because of its focus on the Public Account, provides only partial information on some aspects of the State's finances.

The State Budget and GFS classify transactions differently. The State Budget classifies transactions according to Ministerial portfolios within each department and, within that, Recurrent Services and

Works and Services appropriations. The GFS data presented in the Budget Papers is consistent with the standardised statistical classification framework that was employed by the Australian Bureau of Statistics (ABS) in the preparation of public finance statistics.

The transaction classifications used in the Budget Papers are:

- the Economic Transaction Framework, which categorises outlays, revenue, receipts, payments, assets and liabilities according to their effect on the rest of the economy;
- the Government Purpose Classification, which groups expenses on similar functions; and
- the Taxes Classification, which gives a detailed dissection of this source of revenue.

For the GFS statistics, in the Budget Papers, agencies are classified into either the General Government, Public Trading Enterprises (PTE) or Public Financial Enterprises (PFE) sectors. Following the Australian Loan Council agreement to the revised UPF in March 2000, the sectors are now known as the Public Non-Financial Corporations (Public Trading Enterprises) sector and Public Financial Corporations (Public Financial Enterprises) sector respectively, and are referred to as such in Chapter 11 of Budget Paper No 1. The General Government sector comprises those agencies of government where the primary function is to provide public services, which are mainly non-market in nature, for the collective consumption of the community, or involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies. This sector covers on-Budget agencies and some statutory authorities such as the State Fire Commission. Therefore, the General Government sector primarily comprises those agencies which are included within the Budget Papers.

All jurisdictions now include three year forward estimates for the General Government sector as part of uniform government reporting. Forward estimates provide important aggregate information and increase the ability of users of government reports to assess fiscal trends.

Further details of GFS can be found in Chapter 11 of Budget Paper No 1 *Budget Overview 2002-03*.

Accrual GFS Presentation

The GFS gives details of the expenses, revenue, payments, receipts, and assets and liabilities of the public sector in Australia. The GFS includes only those transactions over which a Government exercises control under its legislative or policy framework. This means that, unlike the accounting viewpoint, the GFS excludes from the calculation of net operating balance both revaluations (holding gains or losses) arising from a change in market prices, and other changes in the volume of assets that result from discoveries, depletion and destruction of assets. This means that differences arise between the GFS and accounting frameworks, particularly within the operating statement. These differences are covered in more detail in a later section.

Details of public sector estimates and outcomes are presented within the accrual GFS in three primary statements: operating statement, balance sheet and cash flow statement. These statements form the core of the accrual UPF.

Operating Statement

The operating statement presents information on GFS revenue and GFS expenses. This statement is designed to capture the composition of expenses and revenues and the net cost of a Government's activities within a fiscal year. It shows the full cost of resources consumed by the Government in achieving its objectives, and how these costs are met from various revenue sources.

Unlike a standard accounting operating statement, the GFS operating statement reports two major fiscal measures – the GFS net operating balance and GFS net lending.

GFS Net Operating Balance

The GFS net operating balance, or operating result, is the excess of GFS revenue over GFS expenses. The net operating balance excludes capital expenditure, but includes non-cash costs such as accruing superannuation entitlements and depreciation. By including all accruing costs, including depreciation, the net operating balance encompasses the full costs of providing government services. This makes it a good measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

GFS Net Lending

GFS net lending, or fiscal balance, measures a government's investment-saving balance. A fiscal surplus indicates that a government is saving more than enough to finance all of its investment spending.

The fiscal balance (which is recorded in the operating statement) differs from the net operating balance in relation to the treatment of capital expenditure. GFS net lending includes net capital expenditure, but not depreciaton. In a year in which a government undertakes major infrastructure works, other things being equal, a fiscal surplus will be significantly lower (or a fiscal deficit significantly larger) compared with the net operating balance. Because it includes the full amount of investment by a government in a particular period, the fiscal balance is a better measure of the impact of a government's budget on the economy in a given period.

Balance Sheet

The balance sheet records a government's stocks of financial and non-financial assets and liabilities. The balance sheet is a financial snap-shot of a government, taken at the end of each financial year. By providing information on the type of assets and liabilities held by a government, the statement gives an indication of the government's financial liquidity.

The GFS balance sheet differs from the standard accounting presentation in that it provides information on financial and non-financial assets, and does not distinguish between current and non-current assets and liabilities. The major balance sheet indicators are Net Worth, Net Debt and Net Financial Worth.

Net Debt

Net debt is the same under cash and accrual-based financial reporting. Net debt comprises the stock of selected gross financial liabilities less financial assets. The stock of net debt is a common measure used to help judge the overall strength of a jurisdiction's fiscal position. High levels of net debt impose a call on future revenue flows to service that debt and can therefore limit government flexibility to adjust expenditure.

Net Worth

Net worth provides a more comprehensive picture of a government's overall financial position than the net debt measure. It is calculated as total assets (both financial and non-financial) minus total liabilities minus shares and other contributed capital. Net worth incorporates a government's non-financial assets such as land, other infrastructure assets, which may be sold and used to repay debt, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

Net Financial Worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities.

Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation, but excludes depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Cash Flow Statement

The cash flow statement records a government's cash receipts and payments. The cash flow statement reveals how a government obtains and expends cash.

This statement requires cash flows to be categorised into operating, investing and financing activities. Operating activities are those which relate to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are those which relate to the acquisition and disposal of financial and non-financial assets. Financing activities are those which relate to changing the size and composition of a government's financial structure.

The GFS cash flow statement reports two major fiscal measures – net increase in cash held and cash surplus.

Net Increase in Cash Held

Net increase in cash held is the sum of net cash flows from all operating, investing and financing activities. The cash surplus comprises only net cash received from operating activities, and from sales and purchases of non-financial assets, minus distributions paid (in the case of PFEs and PTEs), minus finance leases and similar arrangements.

GFS Cash Surplus

The GFS cash surplus measure is broadly comparable with the old cash-GFS surplus measure, allowing for comparisons between the two frameworks.

It should be noted that the ABS concept of a deficit/(surplus) does not include major asset sales and the repayment of advances. These items can have a major impact in any given year. The ABS classifies these transactions as Financing Transactions which have no impact on the calculation of the deficit/(surplus).

ADDITIONAL FINANCIAL INFORMATION

In addition to the Budget documents, a number of other reports are produced annually which provide additional financial information to Parliament.

Treasurer's Annual Financial Statements

These are financial statements on the Public Account prepared in accordance with section 26 of the *Financial Management and Audit Act 1990* (FMAA). The statements are audited and certified by the Auditor-General and tabled in Parliament by 30 September each year. These statements represent the primary accountability statements published by the Government. These statements, together with agency annual financial statements, provide financial information on the actual outcome for a Budget year.

The Treasurer's Statements, like the Budget, are presently produced on a cash basis. However, the presentation of the Treasurer's Statements will be reviewed with the Government's planned move to adopt an accrual budgeting framework for the 2003-04 Budget.

Report of the Auditor-General on the Public Account

This report, on the audit of the Public Account for the previous financial year, must be submitted to Parliament by 30 September each year as required under the provisions of section 57(1) of the FMAA.

Annual Reports of Departments, Government Business Enterprises and State-owned Companies

All departments, State authorities, GBEs and SOCs are required to produce annual reports which include the financial statements of the department, GBE or SOC, and those of each Board, State authority or other organisation over which they exercise control, for tabling in both Houses of Parliament within five months of the end of the financial year. This requirement is provided under section 27 of the FMAA, section 36 of the *Tasmanian State Service Act 2000* for departments and section 55 of the *Government Business Enterprises Act 1995* for GBEs. The requirement for SOCs to table their financial statements in Parliament is specified within either their enabling legislation or the Memorandum and Articles of Association for each SOC.

Annual reports also include reference to significant financial outcomes of organisations and reference to economic and other factors which have affected the achievement of operational objectives. The Auditor-General's report on the financial statements is also included in the annual reports.

Accrual Based Whole-of-Government Financial Reporting

Australian Accounting Standard AAS 31 - *Financial Reporting by Governments*, provides for the Commonwealth, state and territory Governments to separately prepare accrual based whole-of-government financial reports for reporting periods ending after 30 June 1999. Audited whole-of-government financial statements for the 2001-02 financial year will be published during 2002-03.

Loan Council Outcomes Report

Published in October each year, this report provides detailed Government Financial Estimates information for the past financial year and information on financial assets and liabilities. This information is presented on a uniform government reporting basis, as agreed at the May 1991 Premiers' Conference.

7 OTHER SOURCES OF INFORMATION

In addition to the sources previously outlined, Treasury has published the following documents which provide information on economic and financial management issues relevant to Tasmania.

- Output Methodology - in May 1996, Treasury released a brochure entitled *The Output Methodology and the Budget Process*. This brochure provides a brief overview of the Output Methodology and its application to Government activities and the Budget. In addition, in June 1996 Treasury released *Guidelines for the Costing of Outputs*. These guidelines provide a detailed framework for the consistent costing of Outputs across Government, for use by departments.
- *Tasmania's Financial Management Reform Strategy -2001 Progress Report* - published by Treasury in October 2001. This document outlines the financial management reforms which are currently being implemented in the public sector in Tasmania. Update reports are published annually.
- *Guidelines for the Definition, Costing and Reporting of Policy Advice Outputs* - published by Treasury in May 1997. This publication provides guidance to departments in relation to costing and performance measures for policy advice.
- *Competitive Tendering and Contracting Implementation Manual* - published by Treasury in May 1997. This publication provides guidance to departments and GBEs in relation to the development of competitive tendering and contracting (CTC) initiatives. The CTC Manual incorporates the CTC Policy Framework issued in September 1996 and CTC Implementation Guidelines prepared by Treasury.
- *Best Practice Guide for the Administration of Grants in the Tasmanian Public Sector* - this document, first published by Treasury in June 1996 updated in September 2001, provides assistance to State Government departments to facilitate the best practice implementation of grant schemes.
- *Strategic Asset Management Framework* - published by Treasury in May 1997. This publication provides guidance to departments in the strategic management of assets.

These documents can be viewed on Treasury's web site at http://www.treasury.tas.gov.au/ together with other relevant publications released by the Department. The web site also contains links to other State Government bodies and the Tasmanian Government entry point – Tasmania *Online*.

In addition, the following provide information on economic and financial management issues relevant to Tasmania.

- Australian Bureau of Statistics publications - these cover a wide variety of topics, including population and demographic issues and economic, industry and labour market conditions and provide nationally comparable data on Commonwealth and State Government finances.

- Commonwealth Budget Papers - Commonwealth Budget Paper No 3 - *Federal Financial Relations*, provides substantial information on Commonwealth payments to State Government and Local Government.
- Commonwealth Grants Commission (CGC) Reports - the CGC is an independent body which provides advice on the distribution of general revenue assistance to the states and territories by the Commonwealth. Five yearly methodological reviews of relativities are conducted and the Commission publishes annual updates of the relativities (based only on new data available).
- Credit Rating Agency Reports - credit rating reports are produced for Tasmania by major international rating agencies, Standard & Poor's Ratings Group and Moody's Investors Service. These reports provide a broad assessment of the State's current and predicted fiscal position.
- Publications of a range of associations and research institutes, including the Institute of Public Administration Australia, the Institute of Public Affairs, Access Economics and the Tasmanian Chamber of Commerce and Industry.
- *Report on Government Services 2002* - this report, published in February 2002, is the seventh report published by the Steering Committee for the Review of Commonwealth-State Service Provision. The Review of Commonwealth-State Service Provision was established by heads of government in 1993 to develop objective and consistent data on the performance of services that are central to the well being of Australians. The services covered by the Review span education, health, justice and community services.
- Research papers and regular publications produced by Commonwealth Government entities, such as the Commonwealth Treasury's monthly *Economic Roundup* and the monthly issue of *Trends - The Tasmanian Labour Market Review* by the Department of Employment, Workplace Relations and Small Business.

8 GLOSSARY OF TERMS

Accrual Accounting

Accrual accounting recognises revenue and expenditure at the time it is earned or incurred, rather than when money is actually received or paid.

Administered Payments

Administered Payments is a classification of expenditure that relates to payments or concessions made by the Government to individuals, groups or organisations. These include Community Service Obligations and Community Service Activities (CSOs and CSAs – see below) payments to Government Business Enterprises and State-owned Companies (GBEs and SOCs – see below). These payments are determined by the Government and are non-discretionary. In relation to the Output Methodology, these payments are not strictly Outputs, but rather Government purchases the administration of these payments from departments. Details of Administered Payments are included in relevant agency chapters in Budget Paper No 2.

Advances

Repayable, interest-bearing loans often provided on concessional terms.

Appropriation

An amount which may be expended from the Consolidated Fund under the authority of an Act of Parliament.

Auditor-General

A statutory office, established under the *Financial Management and Audit Act 1990*, responsible for the independent review of State financial matters. The Auditor-General is required to report annually to Parliament on the accounts of departments and other public bodies.

Benchmarking

The process of comparing the performance of Government agencies in producing goods and services with other governments or the private sector. This process enables analysis of the effectiveness and efficiency of the production of Outputs relative to best practice procedures in other jurisdictions and the private sector and, in turn, assists the Government in making decisions on the level and range of Outputs purchased from departments.

Budget Committee

A Cabinet Sub-Committee that is responsible for considering all Budget related matters and making appropriate recommendations to Cabinet.

Capital Investment Program

The Capital Investment Program (CIP) comprises major capital investment projects for all on-Budget agencies and is funded through the Works and Services section of the Consolidated Fund. The CIP was introduced to link Government investment in capital and maintenance projects with departmental corporate and asset management plans and specific Government policy objectives and Outputs. Details of projects included in the CIP are provided in Chapter 5 of Budget Paper No 1 *Budget Overview 2002-03*.

Cash Accounting

Cash accounting recognises revenue and expenditure only at the time cash is received or paid.

Chain Volume Measures

Whereas constant price estimates measure real changes in various economic statistics by removing the effect of rising prices through an index composed in terms of a constant base year, chain volume measures provide estimates of real change by factoring in changing price relativities from year to year. Chain volume measures have recently replaced constant price estimates as the adjustment mechanism preferred by the Australian Bureau of Statistics for the calculation of real prices.

Commonwealth Grants Commission

An independent body established by the Commonwealth Government to advise on the per capita relativities for distributing general revenue grants among the six states and two territories.

Community Service Activities (CSAs)

CSAs are non-commercial activities undertaken by State-owned Companies under contract with the Government. To qualify as a CSA, the activity must meet similar identification criteria and net cost conditions as CSOs.

Community Service Obligations (CSOs)

CSOs are activities undertaken by a GBE that would not be undertaken if it was a commercial entity operating in the private sector. In this regard, the GBE Act requires that CSOs can only be declared where the function performed, service provided, or concession allowed will result in a net cost to the GBE, is the direct result of a direction given under, or a specific requirement of, an Act of Parliament and would not be performed, provided or allowed if the GBE were a business in the private sector acting in accordance with sound commercial practice.

Competitive Neutrality

A policy under the *Competition Principles Agreement* (see National Competition Policy) to prevent any resource allocation distortions arising out of the public ownership of entities engaged in significant business activities. Competitive neutrality aims to ensure that Government businesses do not enjoy any net competitive advantage simply as a result of their public sector ownership.

Concessions

See State Government Concessions.

Consolidated Fund

The Fund established by Part II of the *Public Account Act 1986* to receive all taxes and the majority of other revenue received by the Government. All payments from the Consolidated Fund must be authorised by an Act of Parliament.

Consolidated Fund Appropriation Act

An Act which appropriates moneys from the Consolidated Fund for expenditure by the Government during the financial year. Appropriation Acts are generally in force from 1 July in one calendar year until 30 June in the subsequent year.

Consolidated Fund Surplus (CFS)

The CFS is the excess of Consolidated Fund receipts over the expenditure of these funds (net of loan repayments). A CFS represents funds which are available for the retirement of debt. A negative CFS is the same as the Net Financing Requirement (NFR).

Constant Price Terms

Constant price estimates provide a convenient way of measuring real changes in economic time series. Specifically, such estimates measure the change in a series after adjusting values to remove the effects of price movements over time using an index compiled in terms of a constant base year. In Australian Bureau of Statistics series, most measures of real changes are now estimated using chain volume measures.

See also: Chain Volume Measures; Real Terms.

Consumer Price Index

A measure of the change in prices, over time, of a basket of goods and services representing household expenditure patterns. It aims to measure the changes in the cost of living for the average household.

Department Operating Accounts

Accounts created in the Special Deposits and Trust Fund to record all department-related transactions. These accounts receive funds appropriated to departments from the Consolidated Fund and retain certain revenue that is not identified for return to the Consolidated Fund. Department Operating Accounts enable the consideration of the total resourcing of Government Outputs.

Equalisation Grants

See Fiscal Equalisation.

Fees

Fees from regulatory services are levies not primarily designed to raise general revenue, but which are associated with the granting of permit or privilege or for the regulation of activity. This distinguishes them from charges for services rendered to clients and receipts from the sale of goods and services provided by public sector agencies.

Financial Agreement Acts 1927 and 1994

Agreements between the Commonwealth Government and State Governments establishing the Loan Council and prescribing a framework for governmental borrowing and sinking fund arrangements.

Financial Assistance Grant (FAG)

Prior to 2000-01, the FAG represented the main form of general revenue assistance provided to the states and territories by the Commonwealth. The size of the FAG for each jurisdiction was determined by the Premiers' Conference each year, taking into account the pool of FAGs available for distribution between all jurisdictions in that year, which were indexed in line with national CPI and population growth, the per capita relativity factors agreed by the Premiers' Conference, the state or territory's share of the national population and special assistance for other jurisdictions funded out of the FAG pool. The FAG was abolished with effect from 2000-01 under the Commonwealth's National Tax Reform package. Information on the FAG is presented in Chapter 7 of Budget Paper No 1 *Budget Overview 2002-03*.

Financial Year

The financial year runs from 1 July in one calender year to 30 June in the following year.

Fines

Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities.

First Home Owners Scheme

Under the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA), the states and territories were required to establish, administer and fund a First Home Owners Scheme. The scheme provides first home owners with a grant of $7 000 to offset the impact of the GST on house prices. In addition, the Commonwealth Government provides an additional grant of $3 000 for the purchase or construction of a new home. The additional grant expires 30 June 2002.

Fiscal Capacity

The capacity of a State to meet its financial responsibilities. It reflects the adequacy of the various tax bases available to that State, as well as the existence of any disabilities or advantages faced by that State in the provision of services and the raising of revenues.

Fiscal Equalisation

Also described as horizontal fiscal equalisation, it refers to the principle of allocating financial assistance to the states and territories which, as assessed by the Commonwealth Grants Commission, is designed to provide a jurisdiction with the capacity to provide services at a standard comparable to those of the other jurisdictions on average provided it makes the average revenue raising effort.

Full Time Equivalents (FTEs)

A measure of staffing levels which converts the total number of hours worked by all staff (including part time and casual staff) to an equivalent number of full-time staff.

General Government Sector

For the purpose of reporting uniform information on Government Financial Statistics (GFs - see below), non-financial public sector bodies are categorised as belonging to either the General Government sector, the Public Trading Enterprises (PTEs) sector (see below) or the Public Financial Enterprises (PFE) sector (see below). General Government agencies are departments, bodies, or offices that provide services free of charge or at prices substantially below their cost of production.

General Revenue Assistance

Grants provided by the Commonwealth to the state and territory Governments and Local Governments, to be used for purposes determined by the recipients. Prior to 2000-01, the main form of general revenue assistance provided to the states and territories was the Financial Assistance Grant (FAG - see above). Other forms of general revenue assistance provided were National Competition Policy related payments and Identified Local Road Funds. Under the IGA, general revenue assistance grants will be provided in the form of GST revenue payments and transitional payments. In addition, National Competition Policy related payments will continue under the new arrangements.

Goods and Services Tax (GST)

This is a tax imposed by the Commonwealth Government from 1 July 2000 on most goods and services provided in Australia. All of the revenue raised from this tax is distributed to the states and territories using the principle of horizontal fiscal equalisation.

Government Business Enterprises

Government Business Enterprises (GBEs) are entities which operate outside the Public Account, principally on the basis of funds derived through their operations, and have no impact on Budget expenditure except in circumstances where they receive funding for CSOs or receive payments for services provided. GBEs also may provide returns to the Consolidated Fund in the form of dividends to shareholders (the State) and the payment of taxation equivalents and guarantee fees and are subject to their own enabling legislation and the GBE Act. GBEs prepare annual reports, with financial statements on a commercial, accrual accounting basis, which are tabled in Parliament and are subject to audit by the Auditor-General as the auditor appointed by the shareholders. Details of GBEs are provided in Chapter 10 of Budget Paper No 1 *Budget Overview 2002-03*

Government Financial Statistics (GFS)

The Government Financial Statistics system employed by the Australian Bureau of Statistics is designed to provide statistics relating to all public sector entities such as government departments, statutory authorities, government businesses and local government authorities. The GFS is based on two international standards, the United Nations' *System of National Accounts* (SNA93) and the *Manual on Government Finance Statistics.*

Governor-in-Council

The Governor acting with the advice of the Executive Council, which consists of two or more Ministers of the Crown presided over by the Governor.

Grants

Non-repayable, non-interest bearing assistance.

Gross State Product

The total value added in production in the State economy in a year. Broadly, it equals the total value of goods and services produced less the cost of goods and services used in the production process.

GST Administration Costs

Under the IGA, the states and territories are required to meet the costs of administering the GST. These costs are those incurred through the Australian Tax Office and Australian Customs Service in the collection of the GST.

GST Law

Has the same meaning as defined in the *A New Tax System (Goods and Services Tax) Act 1999* of the Commonwealth.

Guarantee Fees

Guarantee fees are applied to GBEs and SOCs to compensate for the lower borrowing rates that GBEs and SOCs often receive due to their Government ownership. Guarantee fees apply to effectively increase the borrowing rate that GBEs and SOCs receive up to the market borrowing rate. In line with National Competition Policy principles, guarantee fees remove any competitive advantage that a GBE or SOC may receive in terms of reduced debt costs through Government ownership.

Guaranteed Minimum Amount

Under the Intergovernmental Agreement, the Commonwealth has guaranteed that no state or territory will be worse off financially under the new Commonwealth-State financial arrangements than they would have been had the National Tax Reforms not taken place. The guaranteed minimum amount is the minimum level of funding required by each state or territory to ensure that the guarantee provisions of the IGA are met.

Horizontal Fiscal Equalisation

See Fiscal Equalisation.

Implicit Price Deflator – GSP

An Implicit Price Deflator (IPD) is another means, in addition to the Consumer Price Index, by which changing prices can be measured. The IPD for Gross State Product (GSP) is a broad measure of price change used in the State accounts. IPD indexes are obtained by dividing a current price value by its corresponding constant price value or chain volume measure.

Infrastructure Fund

A significant new initiative of the Government in the 2001-02 Budget was the introduction of the Infrastructure Fund (comprising a Social Infrastructure Fund and an Economic Infrastructure Fund) to provide funding for the development of major government social and economic infrastructure. The 2002-03 Budget includes increased expenditure from the Social Infrastructure Fund and the establishment of a Major Projects Infrastructure Fund. For further information on the Infrastructure Fund see Chapter 5 of Budget Paper No 1 *Budget Overview 2002-03*.

Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA)

This is the agreement signed by the Commonwealth and all state and territory Governments in June 1999 which provides for major changes to Commonwealth-State financial relations. Under the IGA GST revenue is to be distributed to the states and territories on a horizontal fiscal equalisation basis. In return, the states and territories have agreed to forego revenue and accept additional expenditure responsibilities.

Loan Council

A body comprising the Commonwealth, state and territory Treasurers which meets, usually on an annual basis, to determine the Loan Council Allocation (see below) for the Commonwealth, states and territories for the forthcoming financial year.

Loan Council Allocation (LCA)

A state or territory's Loan Council Allocation is the borrowing level for the jurisdiction endorsed by the Loan Council, based on its combined General Government and PTE sector deficit (adjusted for financing transactions), plus a number of memorandum items. These items reflect public sector transactions which may have many of the characteristics of borrowings but do not constitute formal borrowings. One example is operating leases. Thus the LCA provides an indicator of the likely impact of the total State public sector's operations on the economy through its net call on national savings.

Major Works

Capital investment projects, including construction and maintenance, which have an estimated total value greater than $100 000.

National Competition Policy (NCP)

NCP involves a series of policy initiatives, agreed by all Australian governments, that are aimed at promoting free and open competition, where this is in the public benefit, which in turn will increase efficiency and productivity throughout the Australian economy. The basis of NCP is three intergovernmental agreements between the Commonwealth and state and territory Governments that were signed on 11 April 1995. These agreements are the *Conduct Code Agreement* (relating to the extension of Part IV of the Commonwealth's *Trade Practices Act 1974* to all businesses), the *Competition Principles Agreement* (relating to the implementation of a series of policy elements designed to improve competition in the Australian economy) and the *Agreement to Implement the National Competition Policy and Related Reforms* (relating to the sharing of the financial benefits expected to flow from the implementation of NCP).

NCP is not about competition for competition's sake and, in most areas, requires the use of the public benefit test to ensure that all government and community objectives are considered before specific action is taken to facilitate competition in the economy. For example, considerations include, but are not limited to, economic and regional development (including employment and investment growth) and the interests of consumers generally or a class of consumers, and social welfare and equity considerations (including community service obligations).

Net Debt

The State's Net Debt is defined as the difference between financial assets (claims the Government has on external organisations and individuals) and financial liabilities (claims of external organisations and individuals on the Government) held in the form of cash, deposits, non-transferable loans, transferable debt securities (eg Treasury notes and bonds) and finance leases. This definition does not include other financial assets and liabilities such as accounts receivable/payable, assets (such as shares) representing equity in other organisations (including public trading enterprises – see below), liabilities for unfunded employee entitlements and assets and liabilities in the form of long-term trade credit.

Net Financing Requirement (NFR)

The difference between Consolidated Fund receipts and the expenditure of these funds (net of loan repayments) is the Net Financing Requirement (NFR). An NFR is required to be funded by new borrowings. Previously, due to a deficit Consolidated Fund budget situation, the NFR has been the primary focus of the Budget outcome. A negative NFR is the same as the Consolidated Fund Surplus (CFS).

Net Interest Cost Ratio

The ratio of net interest costs met from the General Government sector (where net interest costs are defined as gross interest costs less interest recoveries and interest received from investments) to total recurrent receipts of the General Government sector net of total interest recoveries.

Nominal Terms

Values expressed in nominal terms are actual values at a point in time and reflect changing price levels over time. The term is used to contrast with 'real terms' (see below).

Outcomes

There are three different levels of outcomes.

- Community Outcomes are the long-term, high level objectives sought by the Government for the benefit of the Tasmanian community. These Outcomes are at such a high level that all of the activities of the State Service, along with contributions from the non-government sector of the Tasmanian community, contribute to their achievement.
- Government Policy Priorities are those policy directions which indicate a change in direction, an area of reform or a change in priority.
- Agency Outcomes are those Outcomes for which an agency can be held accountable, and the achievement of which contributes not only to the Government Policy Priorities but also to the Community Outcomes.

Output

An identifiable good or service produced by, or on behalf of, a department and provided to customers outside the department. The Government purchases Outputs in order to achieve policy objectives or Outcomes.

Output Expenditure

Expenditure over which a department has flexibility to reallocate funds to other Outputs within the limits of Budget allocation principles.

Output Methodology

A system of operating, budgeting and reporting which focuses attention on the Government's desired policy Outcomes and the level of Outputs required to be purchased by the Government in order to achieve those Outcomes.

Premiers' Conference

A meeting of the Prime Minister, State Premiers and the Chief Ministers of the two Territories, which prior to the year 2000 was held annually, to deal with Commonwealth-State financial relations issues. Under the IGA, this meeting has been replaced by the Treasurers' Conference (see below).

Public Account

The account established by the *Public Account Act 1986*. It consists of two separate Funds: the Consolidated Fund and the Special Deposits and Trust Fund.

Public Debt

The indebtedness to the Commonwealth for the State's share of loan raising under the Financial Agreement.

Public Financial Enterprises Sector

For the purpose of reporting uniform information on Government Financial Statistics (GFS - see above), non-financial public sector bodies are categorised as belonging to either the General Government sector, the Public Trading Enterprises (PTEs) sector or the Public Financial Enterprises (PFEs) sector. The PFE 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. Following agreement by the Australian Loan Council to the revised Uniform Presentation Framework in 2000 as a result of the shift from cash to accrual reporting and the Australian Bureau of Statistics' adoption of an accrual base framework for Government Finance Statistics reporting, this sector is known as the Public Financial Corporations (Public Financial Enterprises) Sector. The revised terminology is used in Chapter 11 of Budget Paper 1 *Budget Overview 2002-03*.

Public Trading Enterprises Sector

For the purpose of reporting uniform information on Government Financial Statistics (GFS - see above), non-financial public sector bodies are categorised as belonging to either the General Government sector, the Public Trading Enterprises (PTEs) sector or the Public Financial Enterprises (PFEs) sector. PTEs aim to recover the majority of their costs by revenue generated from user charges. Following agreement by the Australian Loan Council to the revised Uniform Presentation Framework in 2000 as a result of the shift from cash to accrual reporting and the Australian Bureau of Statistics' adoption of an accrual base framework for Government Finance Statistics reporting, this sector is known as the Public Non-Financial Corporations (Public Trading Enterprises) Sector. The revised terminology is used in Chapter 11 of Budget Paper 1 *Budget Overview 2002-03*.

Real Terms

Statistics measured in real terms remove the effects of rising prices or inflation to facilitate a more accurate measure of change over time. Such values are now most commonly referred to in terms of constant price estimates or chain volume measures (where changing price relativities are factored in from year to year). Except where otherwise stated, figures in the Budget documents expressed in real terms are calculated using the Gross State Product Implicit Price Deflator (GSP IPD).

Recurrent Services

That part of expenditure from the Consolidated Fund which relates to the 'ordinary annual' expenditures of the Government that are incurred in the production of Outputs. The major components of expenditure are salary and administrative and operating expenses, including building services and maintenance and furniture and equipment purchases. In addition, Recurrent Services include Administered Payments and Reserved by Law payments.

Reserved by Law Payments

Reserved by Law payments are recurrent expenditures that are made where there is a legislative requirement for funding to be provided for specific purposes without the necessity for an annual appropriation.

Royalty

A payment made for the use of publicly owned resources such as timber, water, fish, minerals or intellectual property.

Special Deposits and Trust Fund

A Fund established under the *Public Account Act 1986* which comprises various individual accounts designated for specific purposes.

Specific Purpose Payments (SPPs)

SPPs (also known as tied grants) are payments made by the Commonwealth to the states and territories, generally under section 96 of the Constitution, for the purposes, and on such terms and conditions, as may be specified by the Commonwealth. All SPPs of a recurrent nature are in the form of grants, while a small amount of assistance of a capital nature takes the form of advances.

State Capital Program

The State Capital Program comprises the capital programs of State authorities, GBEs and SOCs and the capital expenditure programs of Government departments. Details of the State Capital Program are provided in Chapter 5 of Budget Paper No 1 *Budget Overview 2002-03*. It provides information on the whole State public sector's capital expenditure in Tasmania.

State Debt

The total of debt incurred by the State under the Financial Agreement and borrowings through Tascorp.

State Government Concessions

A State Government Concession is a reduction, discount, subsidy, rebate or waiver/exemption provided by a State Government agency on the value of goods or services (associated fees) to an individual, family or household based on one or more of the following eligibility criteria:

- low income;
- in recognition of age or service to the country or community; and
- special needs or disadvantages.

Eligibility is usually, but not always, linked to the production by the recipient of a specified concession card to indicate their inclusion in one of the above groups.

State-owned Company

State-owned Companies (SOCs) operate outside the Public Account, principally on the basis of funds derived through their operations and are subject to Corporations Law. They have no impact on the Consolidated Fund except in circumstances where they receive payment for services provided by the SOC to the Government, or provide dividends, taxation equivalents or guarantee fees to the Government. Details of SOCs are provided in Chapter 10 of Budget Paper No 1 *Budget Overview 2002-03*.

State Public Sector Debt

The term used to describe the overall indebtedness of the Government and its State authorities, which includes repayable advances from the Commonwealth to the State for specific programs.

Statutory Authority

Statutory authorities are each established under specific legislation which defines the purpose for which they are established and the general functions for which they are responsible. Statutory authorities can be classified into two distinct categories, namely:

- those authorities that are subject to specific requirements contained in their enabling legislation; and
- those authorities which are subject to provisions contained in their enabling legislation and are also subject to the provisions of the *Government Business Enterprises Act 1995* (GBE Act). Authorities in this category are those which undertake commercial trading activities. These authorities are described as GBEs.

Statutory Office

A position established under an Act of Parliament, for example the office of Auditor-General.

Supply Act

- The purpose of a Supply Act is to appropriate funds for payments necessary for the ongoing business of the Government during the period between the first day of each financial year and the passing of the Consolidated Fund Appropriation Bill. It lapses when the Consolidated Fund Appropriation Act is passed. In previous years, where the Budget was introduced into Parliament and finally passed by Parliament well into the Budget year, the Supply Act has played a very important role in the provision of funds to agencies. With the movement to a May Budget a Supply Act has not been required.

Tascorp

The Tasmanian Public Finance Corporation. Tascorp acts as the State's central borrowing authority for the Government and raises funds for State authorities, GBEs and SOCs. It also provides an investment facility for these entities.

Taxation

A compulsory levy or impost which the Government imposes on transactions, inputs, documents, property and certain activities for the purpose of raising revenue. Unlike a charge, fee or royalty, a tax does not carry a specific entitlement to goods and services.

Taxation Equivalents

Taxation equivalents are tax-like payments that are required to be paid to the Tasmanian Government by GBEs and SOCs, in line with National Competition Policy principles, to compensate for GBEs and SOCs being exempt from certain Commonwealth taxes. Taxation equivalents are applied to ensure that GBEs and SOCs are not placed at a competitive advantage due to their exemption from these taxes.

Territorial Revenue

Revenue arising from the sale, rent or other use of Crown land or property rights.

Transitional Payments

The difference between the Guaranteed Minimum Amount and the revenue from the GST distributed to a state or territory is referred to as the Transitional Payment. The Transitional Payment to be provided by the Commonwealth will be in the form of a grant.

Treasurers' Conference

Under the IGA, the Treasurers' Conference for Commonwealth-State Financial Relations is established, comprising the Treasurer of the Commonwealth and the Treasurers of the states and territories. The detailed responsibilities of the Council are provided in the IGA.

Treasurer's Reserve

An appropriation to the Treasurer to provide funds to meet expenditure which could not have been reasonably foreseen at the time of preparation of the Budget. The Treasurer's Reserve is comprised of a statutory amount of $10 million, as provided for in the *Public Account Act 1986*, together with any additional amount appropriated. See Chapter 5 of this document for a more complete discussion of the Treasurer's Reserve.

Uniform Presentation Framework (UPF)

The May 1991 Premiers' Conference agreed to the introduction of the Uniform Presentation Framework in 1991. The primary objective of the UPF is to ensure that Commonwealth, state and territory governments provide a common core of financial information in their Budget Papers to provide more meaningful comparisons of each government's financial results and projections.

The format of the UPF is based on the reporting standards of the Australian Bureau of Statistics Government Finance Statistics(GFS) framework. This ensures a high degree of consistency in the preparation and presentation of financial data.

Details of the 2002-03 Budget and Forward Estimates on the UPF basis are provided in Chapter 11 of Budget Paper No 1 *Budget Overview 2002-03.*

Vertical Fiscal Imbalance

An imbalance between the expenditure responsibilities of each tier of government and the own-source revenue resources available to that tier. Australia is characterised by significant vertical fiscal imbalance, since the Commonwealth raises around 72 per cent of national tax revenues but has direct responsibility for only approximately 54 per cent of all public sector outlays.

Works and Services

That part of Consolidated Fund expenditure relating to the construction, purchase and maintenance of major capital assets such as roads, public housing, schools, hospitals and equipment. Works and Services expenditure is reflected in the Roads, Housing and Capital Investment Programs and the appropriation of funds to the new Infrastructure Development Fund. For detailed information on the Infrastructure Fund see Chapter 5 of Budget Paper No 1 *Budget Overview 2002-03*.