



Tasmania

2003

Budget Guide

2003-04

Department of Treasury and Finance

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1 INTRODUCTION

The 2003-04 Budget has been developed within a framework based on full accrual accounting. This represents a new system of budgeting that results in:

- presentation of the Budget in accordance with a recognised national framework that includes all sources of funds on an accrual basis; and
- new headline measures for presenting the Budget Outcome and forward estimates.

Budgeting for the full costs of providing government services enables both Parliament and the community to ensure that the Government is living within its means and is able to deliver sustainable services in the future.

Accrual financial reporting was introduced in 1996-97. In 2001-02, departments prepared accrual estimates, which formed the basis for a consolidated accrual Budget for the General Government Sector in accordance with generally accepted accounting principles. This represented Phase 1 of the accrual budgeting implementation process. The presentation of consolidated accrual Budget estimates was a first for Tasmania and was the result of significant efforts by Treasury and departments. Phase 2 of the implementation process undertaken in 2002-03 considered conceptual and implementation issues associated with the introduction of accrual budgeting in 2003-04. The introduction of an accrual Budget in 2003-04 is the final phase of the implementation process and will provide a closer link to financial reporting and further demonstrates the Government's commitment to continuous improvement in financial management.

This reform will be embedded into the financial management framework over the next few years, with education, training and communication strategies planned for key stakeholders, to raise the level of knowledge and understanding of the new framework.

This Guide has been prepared to assist readers with understanding and interpreting the new financial reforms in the 2003-04 Budget Papers.

In addition, the Guide provides a brief explanation of:

- the Accrual Budgeting Framework; and
- a glossary of key terms used throughout the Budget Papers.

2 THE 2003–04 BUDGET FRAMEWORK

WHOLE-OF-GOVERNMENT BUDGET PRESENTATION

Until now, the Tasmanian Budget has been prepared on a cash basis with a focus primarily on the Consolidated Fund. Budget presentation was not based on any particular standard or format, apart from statistical information presented in Budget Paper No 1 *Budget Overview*, which was in accordance with the Uniform Presentation Framework (UPF).

From 2003–04, Budget presentation at the whole-of-government level, in Budget Paper No 1 *Budget Overview*, will be based on the Uniform Presentation Framework (UPF) on an accrual basis, which provides details of the accrued expenses, revenues, payments, receipts, assets and liabilities of the Government in a standardised format. The move to an accrual UPF Budget is consistent with other Australian jurisdictions and discloses similar information to that presented in consolidated financial reports prepared under Australian Accounting Standards.

The Uniform Presentation Framework is based on the concepts and classifications used by the Australian Bureau of Statistics in the preparation of public finance reports. These, in turn, are based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*. The Government Finance Statistics classification adopts a nationally consistent format for presenting the financial transactions of governments and government trading enterprises.

Government Finance Statistics is an accounting framework for the production of national and government accounts that facilitates comparison of financial performance across jurisdictions and is increasingly used by financial markets, credit rating agencies and other analysts and commentators.

The format of the UPF is similar to Australian Accounting Standards (AAS), in that there is an Operating Statement (similar to a Statement of Financial Performance), a Balance Sheet (similar to a Statement of Financial Position) and a Cash Flow Statement (similar to a Statement of Cash Flows).

The UPF Operating Statement combines the normal accounting Operating Result with additional disclosures. The main focus of the Operating Statement is on the Fiscal Surplus.

The UPF Balance Sheet classifies assets and liabilities as financial or non-financial, rather than current or non-current as in accounting statements. The key focus is on Net Debt, Net Financial Liabilities and Net Worth.

The UPF Cash Flow Statement reports cash inflows and outflows, with the key focus being on the Cash Surplus and excludes non-cash accrual concepts, eg depreciation.

BUDGET SCOPE

The Budget will incorporate all Budget Sector agencies, as well as transactions for a number of entities that reside outside the Public Account but receive significant funding from Government, such as TAFE Tasmania and the Tasmanian Fire Service. These departments and entities are known as the General Government Sector.

The financial transactions of Public Non-Financial Corporations (PNFC), such as Hydro Tasmania and Transend Networks Pty Ltd, and Public Financial Corporations (PFC), such as the Tasmanian Public Finance Corporation and the Motor Accidents Insurance Board, are not reflected in the Budget.

The focus of the Budget has been transferred from the Consolidated Fund to a wider focus on the whole Public Account. That is, the focus now includes activities undertaken through the Special Deposits and Trust Fund (SDTF).

DEPARTMENT BUDGET PRESENTATION

Until now, the department Budgets have been prepared on a cash basis with a focus on Outputs and funding clearly segregated between the Consolidated Fund and SDTF. Budget presentation was not based on any particular accounting standard or format.

From 2003-04, department Budgets, in Budget Paper No 2 *Operations of Government Departments*, will be presented in accordance with Australian Accounting Standards. As department financial statements are currently prepared in accordance with applicable Australian Accounting Standards, the new department Budget presentation will provide comparability between department budgeting and reporting.

The accrual financial statements presented for departments include a:

- Statement of Financial Performance;
- Statement of Financial Position; and
- Statement of Cash Flows.

A budgeted Statement of Financial Performance will be presented for each department for both controlled and administered items and for each Output Group within the department. This Statement will incorporate existing cash based Budget information, with the addition of depreciation and other accrual items.

Department chapters will also include a budgeted Statement of Financial Position and a budgeted Statement of Cash Flows for both controlled and administered items.

APPROPRIATIONS

The Budget is prepared on an accrual basis, with appropriations to departments remaining on a cash basis from the Consolidated Fund. Accrual items such as accrued employee entitlements and accrued expenses will be appropriated when the cash is required by the department, which may not be in the same year as the expense is incurred.

3 BUDGET PAPER NO 1

BUDGET OVERVIEW

Budget Paper No 1 *Budget Overview 2003-04* has been restructured to reflect the Government's move to accrual budgeting and the further implementation of Uniform Presentation Framework (UPF) principles. The revised structure of Budget Paper No 1 is summarised in the following table.

| Chapter No | Chapter Title | 2002-03 Chapter Reference |
|-------------------|---|----------------------------------|
| 1 | The 2003-04 Budget Development Context | 1 |
| 2 | Tasmanian Economy | 2 |
| 3 | Budget Summary, 2003-04 | New |
| 4 | Revenue and Expense Estimates, 2003-04 | New |
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CHAPTER 3 BUDGET SUMMARY, 2003-04

This chapter is a new chapter for 2003-04. It provides summary information on the Operating Statement, Balance Sheet and Cash Flow Statement on an accrual UPF basis. This chapter is a quick high level summary of all of the key Budget measures. It provides commentary and explanations of significant variances on a comparative Budget basis for these key measures.

These three statements, the associated measures and example tables for each statement are discussed in turn below.

Operating Statement

The Operating Statement presents information on revenue and 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.

The Operating Statement reports two major fiscal measures: the Net Operating Result and the Fiscal Surplus. The Fiscal Surplus is the Government's headline Budget measure.

Key Budget Measures

Net Operating Result

The Net Operating Result is the excess of revenue over expenses. The Net Operating Result excludes capital expenditure, but includes non-cash costs such as accruing superannuation entitlements and depreciation.

A Net Operating Surplus indicates that there are funds available, on an accrual basis, to increase service delivery, increase assets or to decrease liabilities. A deficit indicates that one off expenditure may have occurred, sourced from cash reserves, to meet one off projects or programs, or revenues are not sufficient to meet all expenses for the current year.

Net Acquisition of Non-Financial Assets

This item includes the purchases and sales of fixed assets, plus changes in other non-financial assets less depreciation.

It is these items that adjust the Net Operating Result to the Fiscal Surplus, incorporating net capital expenditure that would not otherwise be reflected in an operating result. Depreciation is added back to the Net Operating Result to obtain the Fiscal Surplus as it can never be converted from a non-cash item and therefore form part of financing and investing decisions.

Fiscal Surplus

The Fiscal Surplus represents the difference between General Government revenue over expenses. It includes capital expenditure, but excludes depreciation.

The Fiscal Surplus measures a Government's investment–saving balance and is a useful indicator of funds available for application to either assets or liabilities. A Fiscal Surplus indicates that the Government is saving more than enough to finance all of its spending.

In a year in which the Government undertakes major capital works, a Fiscal Surplus will be lower compared with the Net Operating Result.

Example Summary Operating Statement

| | 2002-03 | 2003-04 | |
|--|------------------|------------------|------------------|
| | Budget | Budget | |
| | Estimate | Estimate | Variation |
| | \$'000 | \$'000 | % |
| Revenue | 2 852 361 | 2 989 967 | 4.8 |
| Expenses | 2 851 824 | 3 005 777 | 5.3 |
| NET OPERATING RESULT¹ | 537 | (15 810) | .... |
| Less | | | |
| Net acquisition of non-financial assets | (25 508) | (22 728) | (10.9) |
| FISCAL SURPLUS² | 26 045 | 6 918 | .... |

Notes:

1. Net Operating Result equals Revenue less Expenses.
2. Fiscal surplus equals Net Operating Result less Net acquisition of non-financial assets.

Balance Sheet

The Balance Sheet records a Government's stocks of financial and non-financial assets and liabilities. This statement discloses the resources over which a Government maintains control. 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 strength.

The Balance Sheet includes data on the make up of a Government's financial assets, on its holdings of fixed assets, and on the extent of liabilities such as borrowing and unfunded superannuation. This allows for intertemporal and interjurisdictional comparisons of asset and liability levels. The major balance sheet indicators are Net Debt, Net Worth, Net Financial Worth and Net Financial Liabilities.

Key Budget Measures

Net Worth

Net Worth provides a more comprehensive picture of the Government's overall financial position than the Net Debt measure. It is calculated as total assets (both financial and non-financial) minus total liabilities.

Net Worth incorporates the Government's non-financial assets such as land and other infrastructure assets, 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. Net Financial Worth includes all classes of financial assets and liabilities, only some of which are included in Net Debt, and excludes physical assets, such as Land and Buildings. It avoids concerns inherent with physical assets relating to the valuation of non-financial assets and their availability to offset liabilities.

Net Financial Liabilities

Net Financial Liabilities is Net Debt plus gross unfunded superannuation liabilities. It differs from the Net Debt measure as it includes accrued employee liabilities.

This additional information is important in gauging the strength of a Government's fiscal position as well as being another indicator of the call on future revenue flows to service the liability.

Net Debt

Net Debt is the same under cash and accrual-based financial reporting. Net debt comprises the stock of specified gross financial liabilities (borrowings and advances) less financial assets (cash deposits and investments).

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 a Government's flexibility to adjust expenditure.

Example Summary Balance Sheet

| | 2002-03 | 2003-04 | |
|--|-------------------|-------------------|------------------|
| | Budget | Budget | |
| | Estimate | Estimate | Variation |
| | \$'000 | \$'000 | % |
| Assets | | | |
| Financial assets | 5 419 461 | 4 863 608 | (10.3) |
| Non-financial assets | 5 615 046 | 5 736 015 | 2.1 |
| Total assets | 11 034 507 | 10 599 623 | (4.0) |
| Total liabilities | 4 217 575 | 3 427 225 | (18.8) |
| NET WORTH¹ | 6 816 932 | 7 172 398 | 5.2 |
| NET FINANCIAL WORTH² | 1 201 886 | 1 436 383 | 19.5 |
| NET FINANCIAL LIABILITIES³ | 2 612 561 | 2 495 425 | (4.5) |
| NET DEBT⁴ | 711 561 | 461 470 | (35.2) |

Notes:

1. Net Worth equals Total Assets less Total Liabilities.
2. Net Financial Worth equals Total Financial Assets minus Total Liabilities.
3. Net Financial Liabilities equals Net Debt plus gross unfunded superannuation liabilities.
4. Net Debt equals the sum of deposits held, advances received and borrowings less the sum of cash and deposits, advances paid and investments, loans and placements.

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 signing convention within the Cash Flow Statement is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows). The UPF Cash Flow Statement reports two major fiscal measures: Net Increase/Decrease in Cash Held and Cash Surplus. Net Increase/Decrease in Cash Held is the sum of net cash flows from all operating, investing and financing activities. The Cash Surplus excludes from Net Increase/Decrease in Cash Held cash relating to financing activities and investing activities used for policy and liquidity purposes.

Key Budget Measures

Net Increase/(Decrease) in Cash

The Net Increase/(Decrease) in Cash shows the net result of all cash receipts and payments for the current financial year.

The measures provided in the Cash Flow Statement provide a mechanism for managing the cash position to ensure that sufficient cash is available to fund Government policy decisions.

Cash Surplus

The Cash Surplus is important for cash management purposes. The Cash Surplus represents the difference between General Government revenue over expenses (including capital expenditure) on a cash basis.

Example Summary Cash Flow Statement

| | | 2002-03 | 2003-04 | |
|--|------------|--------------------|--------------------|------------------|
| | | Budget | Budget | |
| | | Estimate | Estimate | Variation |
| | | \$'000 | \$'000 | % |
| Cash receipts from operating activities | | 2 962 582 | 3 106 283 | 4.8 |
| Cash payments for operating activities | | (2 734 537) | (2 891 654) | 5.7 |
| Net cash flows from operating activities | (A) | 228 045 | 214 629 | (5.9) |
| Net cash flows from investments in non-financial assets | (B) | (124 862) | (131 477) | 5.2 |
| Net cash flows from financing activities | (C) | (17 373) | (164 087) | 844.4 |
| Net Increase/(Decrease) in Cash Held¹ | | 89 297 | (56 112) | (162.9) |
| CASH SURPLUS/(DEFICIT)² | | 103 183 | 83 152 | (19.5) |

Notes:

1. Net Increase/(Decrease in Cash Held is equal to A+B+C.
2. Cash Surplus is equal to A+B.

Consolidated Fund Surplus

A Summary table on the Consolidated Fund Surplus has been provided in this Chapter to assist in providing continuity between the 2002-03 Budget and the 2003-04 Budget. Extended detail on Consolidated Fund Budget estimates has been transferred to Appendix 2. That appendix will be discussed in more detail later in this Guide.

To assist with understanding the move to the new UPF Budget headline measure, a reconciliation between the Consolidated Fund Surplus and the Fiscal Surplus has been included.

CHAPTER 4 REVENUE AND EXPENSES ESTIMATES, 2003-04

This chapter examines the revenue and expenditure estimates in more detail. A detailed General Government Operating Statement is provided with high level classifications of revenues and expenses. The revenue lines are then further broken down into more detail. The detailed revenue tables are similar to the tables used in 2002-03, except that they have been segregated into classifications consistent with the Operating Statement, and include Special Deposits and Trust Fund (SDTF) and accrual information. The revenue lines are broken down into the following categories:

- Taxation revenue;
- Grants and subsidies;
- Sale of goods and services;
- Interest income;
- Dividend income; and
- Other revenue.

This chapter also provides commentary and explanations of significant variances on a comparative Budget basis for the detailed revenue and expenditure items. Commentary on the expenditure items relates to:

- Employee expenses;
- Other operating expenses;
- Depreciation;
- Nominal superannuation interest expense;
- Other interest expenses; and
- Grants and transfers.

An example of the detailed Operating Statement is provided below.

It should be noted the UPF information included may not match Consolidated Fund information as financial transactions between General Government agencies appear in Consolidated Fund information but are eliminated from the consolidated whole-of-government information.

Depreciation

Depreciation is the estimated consumption of non-financial assets during the year (or other accounting period). This is an accrual transaction.

Nominal Superannuation Interest Expense

The nominal superannuation interest expense represents the interest calculated on the gross unfunded superannuation liability. This unfunded liability, for UPF purposes, is recognised as a notional borrowing and therefore requires the recognition of notional interest on the unfunded superannuation liability. This is an accrual transaction.

Example Detailed Operating Statement

| | 2002-03 Budget Estimate | 2003-04 Budget Estimate | Variation |
|--|-------------------------------|-------------------------------|-----------|
| | \$'000 | \$'000 | % |
| Revenue | | | |
| Grants and Subsidies | 1 803 614 | 1 860 697 | 3.1 |
| Taxation Revenue | 480 928 | 533 051 | 10.8 |
| Sales of Goods and Services | 275 541 | 297 627 | 8.0 |
| Interest Income | 15 742 | 17 587 | 11.7 |
| Dividend and Tax Equivalent Income | 147 337 | 139 018 | (5.7) |
| Other Revenue | 129 199 | 141 987 | 9.8 |
| Total Revenue | 2 852 361 | 2 989 967 | 4.8 |
| Expenses | | | |
| Depreciation | 150 370 | 154 205 | 2.5 |
| Employee Expenses | 1 232 408 | 1 293 234 | 4.9 |
| Other Operating Expenses | 679 679 | 725 713 | 6.7 |
| Nominal Superannuation Interest Expense | 111 498 | 115 935 | 3.9 |
| Other Interest Expense | 82 926 | 68 891 | (17.0) |
| Grants and Transfers | 594 943 | 647 799 | 8.8 |
| Total Expenses | 2 851 824 | 3 005 777 | 5.3 |
| NET OPERATING RESULT | 537 | (15 810) | |
| Less | | | |
| Net acquisition of non-financial assets | | | |
| Purchase of new non-financial assets | 171 209 | 181 020 | 5.7 |
| less Sale of non-financial assets | 46 347 | 49 543 | 6.8 |
| less Depreciation | 150 370 | 154 205 | 2.5 |
| Total | (25 508) | (22 728) | (10.9) |
| FISCAL SURPLUS | 26 045 | 6 918 | |

Consolidated Fund

Again to assist in providing continuity between the 2002-03 Budget and the 2003-04 Budget, Consolidated Fund appropriations by Department are provided with explanatory commentary on the variances. Other Consolidated Fund Budget estimates have been transferred to Appendix 2. A reconciliation of Total Consolidated Fund Expenditure to Total Expenses in the Operating Statement has been provided to assist in the interpretation of expenditure in this chapter.

The reconciliation is found in Chapter 4 of Budget Paper No 1.

CHAPTER 7 ASSETS AND LIABILITIES, 2003-04

The focus of this chapter has changed from outcomes to Budget estimates and from a State focus to a General Government focus. Information at State level has been retained in a separate section within the Chapter. The State level information includes the Public Non-Financial Corporations and the Public Financial Corporations.

Similarly to Chapter 4, this chapter looks at the asset and liability estimates in more detail. A detailed General Government Balance Sheet is provided with high level classifications of assets and liabilities. This Chapter also provides commentary and explanations of significant variances on a comparative Budget basis for the detailed asset and liability items. Commentary on the asset items relates to:

- Cash, advances and investments;
- Other non-equity assets;
- Equity assets;
- Land and fixed assets; and
- Other non-financial assets.

Commentary on the liability items relates to:

- Deposits held, advances received and borrowings;
- Unfunded superannuation liability;
- Other employee provisions; and
- Other non-equity liabilities.

The chapter also provides more detailed information on the Balance Sheet measures such as Net Debt and Net Financial Liabilities. Much of the information previously available in this Chapter remains but, as previously mentioned, the focus and structure has altered slightly.

An example of the detailed Balance Sheet is provided below.

Example Detailed Balance Sheet

| | 2002-03 | 2003-04 | |
|-----------------------------------|-------------------|-------------------|------------------|
| | Budget | Budget | |
| | Estimate | Estimate | Variation |
| | \$'000 | \$'000 | % |
| Assets | | | |
| Financial assets | | | |
| Cash and deposits | 970 482 | 331 297 | (65.9) |
| Advances paid | 137 479 | 111 549 | (18.9) |
| Investments, loans and placements | 20 240 | 20 240 | .... |
| Other non-equity assets | 328 539 | 335 163 | 2.0 |
| Equity | 3 962 721 | 4 065 359 | 2.5 |
| Total | 5 419 461 | 4 863 608 | (10.3) |
| Non-financial assets | | | |
| Land and fixed assets | 5 561 802 | 5 647 232 | 1.5 |
| Other non-financial assets | 53 244 | 63 783 | 19.7 |
| Total | 5 615 046 | 5 711 015 | 1.7 |
| Total assets | 11 034 507 | 10 574 623 | (4.2) |
| Liabilities | | | |
| Deposits held | .... | 9 874 | .... |
| Advances received | 314 877 | 273 184 | (13.3) |
| Borrowings | 1 524 885 | 641 498 | (58.0) |
| Unfunded superannuation liability | 1 901 000 | 2 033 955 | 6.9 |
| Other employee provisions | 325 242 | 300 583 | (7.6) |
| Other non-equity liabilities | 151 571 | 168 131 | 10.9 |
| Total liabilities | 4 217 575 | 3 427 225 | (18.8) |
| NET WORTH | 6 816 932 | 7 147 398 | 4.8 |
| NET FINANCIAL WORTH | 1 201 886 | 1 436 383 | 19.5 |
| NET FINANCIAL LIABILITIES | 2 612 561 | 2 495 425 | (4.5) |
| NET DEBT | 711 561 | 461 470 | (35.2) |

CHAPTER 8 ESTIMATED OUTCOME

The purpose of this chapter has not changed. The chapter still provides explanations of significant variances from the Original Budget for the current year to the estimated Budget outcome. However, the focus has changed to the UPF headline measure of Fiscal Surplus. The Operating Statement in this chapter has greater detail in the revenue lines than the detailed Operating Statement in Chapter 4. The Operating Statement incorporates some of the information in the detailed revenue line tables.

The chapter also includes the estimated Consolidated Fund outcome and estimated expenditure from the Consolidated Fund by departments. Other Consolidated Fund information is now provided in Appendix 2. A reconciliation between the Consolidated Fund Surplus, the Cash Surplus and the Fiscal Surplus for the General Government Sector has been provided to assist in the transition to the new framework.

CHAPTER 9 FORWARD ESTIMATES

The purpose of this chapter has not changed. The chapter still provides explanations of significant movements and trends over the Forward Estimates. However, as with the other chapters, the focus has changed to the UPF statements and associated measures. All three detailed UPF statements with Forward Estimates are included in the chapter.

The Forward Estimates for the Consolidated Fund are now provided in Appendix 2.

CHAPTER 12 CONCESSIONS, SUBSIDIES AND COMMUNITY SERVICE OBLIGATIONS

This is a new chapter that consolidates all of the concession information that was previously included in department chapters in Budget Paper No 2 *Operations of Government Departments*. It provides a summary table by department, which indicates the total value of concessions provided by the State Government.

The chapter also provides details of the particular concessions provided by each department, which places a value on each concession provided, totalled for each department, and explanatory information on the concessions. This information will no longer be published in Budget Paper No 2 in the individual department chapters.

APPENDIX 1 UNIFORM GOVERNMENT REPORTING

This Appendix repeats information presented elsewhere in the Budget Papers for the General Government Sector, but includes Budget information for all Sectors presented in accordance with Loan Council requirements.

The Appendix provides 2001-02 outcomes, 2002-03 revised estimates and 2003-04 estimates for the Operating Statement, Balance Sheet and Cash Flow Statement for the General Government Sector, the Public Non-Financial Corporations and the Total Non-Financial Public Sectors. No estimates are provided for the Public Financial Corporations as these are not required by the Loan Council. The General Government Sector statements also include the three Forward Estimate years from 2004-05 to 2006-07.

This Appendix also provides information on expenditure by purpose (such as health, education, public order and safety), General Government taxes (such as taxes on property, taxes on the provision of goods and services and taxes on the use of goods or performance of activities) and Loan Council information.

The tables for the Operating Statement and Balance Sheet are of a similar layout, with the prior year Actuals, revised current year Budget, the Budget year and the three forward years.

APPENDIX 2 CONSOLIDATED FUND ESTIMATES

This Appendix repeats information presented elsewhere in the Budget Papers for the Consolidated Fund, but also includes additional Budget information for the Consolidated Fund.

The Appendix is a consolidated view of all of the Consolidated Fund activity for revenues and expenditures. All of the tables provided in previous years are available. These include:

- Summary Budget Estimates for the Consolidated Fund Surplus;
- Details of Consolidated Fund receipts;
- Summary Consolidated Fund expenditure;
- Consolidated Fund expenditure by department;
- Estimated Reserved By Law expenditure items;
- Estimated Consolidated Fund Surplus outcome;
- Summary estimated outcome of Consolidated Fund receipts;
- Summary estimated outcome of Consolidated Fund expenditure;
- Estimated outcome of Consolidated Fund expenditure by department;
- Summary Consolidated Fund Surplus forward estimates;
- Summary Consolidated Fund revenue forward estimates; and
- Summary Consolidated Fund expenditure forward estimates by department.

4 BUDGET PAPER NO 2

OPERATIONS OF GOVERNMENT DEPARTMENTS

Budget Paper No 2 is a major source of financial and other information on the operations of departments with regard to the year ahead. It provides information on the major initiatives, which are being implemented by the Government to achieve its broad policy objectives, including those in relation to Tasmania *Together*, the Industry Development Plan, the Fiscal Strategy and Local Government Partnership Agreements.

In this Budget Paper, the operations of each government department are detailed in a chapter containing:

- major issues to be faced by the department during 2003-04, including the implementation of new and continuing Government initiatives;
- non-financial information such as the nature of the Outputs provided by the department and the Outcomes to which those Outputs are linked;
- financial information on a whole-of-department basis; and
- detailed Output Group information (including financial and performance information) in relation to each Output Group of the department.

The financial information provided for each department consists of information on the total resources available to the department, including the sources of revenue, areas of expenditure, administered items and capital investment projects. Other financial and performance information for each department is provided for Output Groups, including sources of revenue and areas of expenditure.

The financial information is presented on an accrual basis in accordance with Australian Accounting Standard AAS29 *Financial Reporting by Government Departments*.

Each departmental chapter commences with a section providing an outline of:

- the department itself;
- the department's strategic focus and outcomes;
- the key strategies the department will implement to achieve its outcomes; and
- the department's major initiatives being undertaken in the forthcoming Budget year.

Further information on initiatives and other departmental activities is provided in the section relating to each Output Group.

The basic structure of the information provided in Budget Paper No 2 for each department begins with a whole-of-department summary. This is then broken down further into Output Group, Administered Items and Capital Investment. The final section comprises a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash Flows and a reconciliation of Operating Expenses to Consolidated Fund Appropriation on a whole-of-department basis.

The Statement of Financial Performance has been adapted to present a different view of the Budget information of departments. This Statement has been adapted to produce a Financial Summary Statement, a modified Statement of Financial Performance for each Output Group and a modified grants and subsidies table. Each of these statements is discussed below.

FINANCIAL SUMMARY

A financial summary table is presented at the front of each department chapter showing total revenue including the appropriation, funds carried forward from previous years and other sources of revenue and total expenses by Output Group.

This summary is a modified version of the Statement of Financial Performance. The Financial Summary includes both the controlled and administered transactions of the department. However, it excludes the administered revenues that the department collects and transfers to the Consolidated Fund. The inclusion of the administered activities and the exclusion of the administered revenues are consistent with the summary tables used in the 2002-03 Budget.

The purpose of the summary is to provide a consolidated view of department operations and the extent of activities that the department undertakes. An example Financial Summary is provided below.

Revenue

The revenue section of the Financial Summary is similar to the previous Sources of Funds section of the Funding of Outputs table, reformatted into the AAS classifications and incorporating accrual information.

Revenue from Government reflects the appropriation paid to departments including Reserved By Law and where applicable section 8A carry forwards granted by the Treasurer under the *Public Account Act 1986*. The Annual Appropriation line within the report is no different from the information presented in the 2002-03 Budget Papers. The revenue represents the amount of appropriation, from the Consolidated Fund, to the department.

Expenses

The expenses section of the Financial Summary is similar to the previous Application of Funds table. The expenses now incorporate accrual information but exclude capital expenditure, which has been recorded as assets in the Statement of Financial Position. This means that only the maintenance component of the Capital Investment Program (CIP) is recorded in the Financial Summary. The total CIP expenditure is still shown in the Capital Investment Program table.

Depreciation is the estimated consumption of assets during the year (or other accounting period). This is an accrual transaction.

Other Operating Expenses represent the maintenance component of the CIP. The capital component is recognised as assets in the Statement of Financial Position in the detailed section of the chapter.

Net Operating Result

The Net Operating Result is operating revenue less operating expenses. The Net Operating Result excludes capital expenditure, but includes non-cash costs such as depreciation.

The Net Operating Result, is not a measure of on-going sustainability of an a departments operations due to the way departments are funded through appropriation and the fact that departments do not exist to make a 'profit' but to provide services to the community.

A Net Operating Surplus indicates that there are funds available, on an accrual basis, to increase service delivery, increase assets or to decrease liabilities. A deficit indicates that revenues are not sufficient to meet all expenses for the current year, or one off expenditure may have occurred, sourced from cash reserves, to meet one off projects or programs.

Net Operating Surpluses and deficits can also occur due to the timing of when a department receives an appropriation, as departments are funded on a cash basis but records costs on an accrual basis. Examples where a deficit could occur relate to the funding of employee entitlements or capital works. With regard to employee entitlements, the increase in any long service leave entitlements is shown each year, but the funding of the leave will be appropriated when the cash is required by the department, which may not be in the same year as the expense is incurred.

With regard to capital works, while the annual utilisation of assets is shown through an annual depreciation charge, the Government will not fund the department for capital works until an asset needs replacement or major capital improvements. Therefore, a deficit may occur in those years where capital expenditure is not requested, while in the year the funds are provided a surplus may result. This occurs, because capital expenditure is reflected in the Statement of Financial Position rather than the Statement of Financial Performance. Funding of capital works is included in Revenue from Government but the associated capital works expenditure is included in the Statement of Financial Position, resulting in a surplus in the operations of the department.

In departments with significant assets, the differences in the timing in the recognition of depreciation and the receiving of the appropriation (and the associated impact on the Net Operating Result for the year), can also be affected by the valuation method used to value the assets.

Example Financial Summary

| | | 2002-03 | 2003-04 | |
|--------------------------------|--------------------|----------------|---------------|--------------|
| | | Budget | Budget | Variation |
| | | \$'000 | \$'000 | % |
| OPERATING REVENUE | | | | |
| Revenue from Government | | | | |
| Annual Appropriation | FUNDING OF | 53 681 | 68 119 | 26.9 |
| Reserved by Law | OUTPUTS | 10 537 | 8 986 | (14.7) |
| Other |  | .... | 1 800 | .... |
| Other Revenue | | 11 286 | 11 243 | (0.4) |
| TOTAL | | 75 504 | 90 148 | 19.4 |
| OPERATING EXPENSES | | | | |
| Administration of Justice | | 23 273 | 24 366 | 4.7 |
| Legal Services | | 6 203 | 6 203 | .... |
| Registration Services | | 717 | 728 | 1.5 |
| Review Services | APPLICATION | 2 392 | 2 431 | 1.6 |
| Electoral Services | OF FUNDS | 4 380 | 1 514 | (65.4) |
| Corrective Services | | 30 858 | 31 461 | 2.0 |
| Other Services | | 593 | 598 | 0.8 |
| Consumer Services | | 2 763 | 2 777 | 0.5 |
| Industrial Relations Services | | 3 554 | 3 518 | (1.0) |
| Grants and Subsidies | | 3 564 | 3 564 | .... |
| Other | | 849 | 587 | (30.9) |
| TOTAL | | 79 146 | 77 747 | (1.8) |
| NET OPERATING RESULT | | (3 642) | 12 401 | .... |

OUTPUT GROUP STATEMENTS

The Summary Financial Information table for each Output Group is a modified version of the Statement of Financial Performance. It includes revenue and expenditure, associated with the Output Group, by classifications consistent with the Statement of Financial Performance. The Statement also includes expenditure by Output.

Similar to the Financial Summary, the Summary Financial Information table for each Output Group incorporates the three tables used in 2002-03. An example Summary Financial Information by Output Group is provided below.

The Output Group sections still contain information on performance indicators, major initiatives and explanations of variations. It should be noted that the revenue and expenditure may not be equal due to the same timing issues discussed under the Net Operating Result of the Financial Summary.

Operating Revenue

The Operating Revenue section of the Summary Financial Information table is similar to the previous Sources of Funds section of the Funding of Outputs table, reformatted into the AAS classifications and incorporating accrual information.

Operating Expenses

The Operating Expenses section of the Summary Financial Information table is similar to the previous Expenditure by Outlay table reformatted into the AAS classifications. The expenses section also includes expenses by Output, which is equivalent to the Outputs to be provided table. The expenses also now incorporate accrual information.

Example Summary Financial Information by Output Group

| | | 2002-03 | 2003-04 | |
|--------------------------------------|-----------------------|---------------|---------------|------------------|
| Administration of Justice | | Budget | Budget | Variation |
| | | \$'000 | \$'000 | % |
| OPERATING REVENUE | | | | |
| Revenue from Government | | | | |
| Annual Appropriation | FUNDING OF | 15 596 | 16 185 | 3.8 |
| Reserved by Law | OUTPUTS | 4 129 | 4 375 | 6.0 |
| Sales of Goods and Services | | 2 777 | 3 571 | 28.6 |
| TOTAL | | 22 502 | 24 131 | 7.2 |
| OPERATING EXPENSES | | | | |
| Employee Entitlements | | | | |
| Salaries and Wages | | 13 219 | 13 489 | 2.0 |
| Other Employee Related Expenses | | 1 060 | 949 | (10.5) |
| Superannuation | | 1 062 | 1 122 | 5.6 |
| Depreciation and Amortisation | EXPENDITURE BY | 577 | 400 | (30.7) |
| Grants and Transfer Payments | OUTLAY | 3 208 | 3 554 | 10.8 |
| Supplies and Consumables | | | | |
| Travel and Transport | | 332 | 332 | .... |
| Advertising and Promotion | | 11 | 11 | .... |
| Communications | | 278 | 278 | .... |
| Consultancies | | 319 | 106 | (66.8) |
| Rent | | 232 | 236 | 1.7 |
| Other Accommodation Related Expenses | | 1 161 | 1 191 | 2.6 |
| Information Technology | | 425 | 460 | 8.2 |
| Other Supplies and Consumables | | 1 389 | 2 238 | 61.1 |
| TOTAL | | 23 273 | 24 366 | 4.7 |

Example Summary Financial Information by Output Group (continued)

| | | 2002-03 | 2003-04 | | |
|----------------------------------|---|----------------------|---------------|------------------|---------------|
| Administration of Justice | | Budget | Budget | Variation | |
| | | \$'000 | \$'000 | % | |
| EXPENSE BY OUTPUT | | | | | |
| 1.1 | Supreme Court Services | | | | |
| | | OUTPUTS TO BE | 5 862 | 5 853 | (0.2) |
| 1.2 | Magisterial Court Services | | | | |
| | | PROVIDED | 8 155 | 8 308 | 1.9 |
| 1.3 | Enforcement of Monetary Penalties | | | | |
| | | | 1 862 | 1 569 | (15.7) |
| 1.4 | Support and Compensation for Victims of Crime and Others | | | | |
| | | | 437 | 479 | 9.6 |
| 1.5 | Legal Aid | | | | |
| | | | 5 899 | 7 057 | 19.6 |
| 1.6 | Mental Health Review and Guardianship Board Decisions | | | | |
| | | | 1 058 | 1 100 | 4.0 |
| TOTAL | | | 23 273 | 24 366 | 4.7 |

ADMINISTERED ITEMS

Administered items are split between Grants and Subsidies and Revenue Transferred to the Consolidated Fund. This section also converts existing tables in 2002-03 into a revised Statement of Financial Performance format. Each of these is discussed below.

Grants and Subsidies

Similar to the Output Group tables, the Funding of Administered Payments table and the previous Administered Payments table have been combined into a single Statement of Financial Performance with the revenue section taken from the Funding of Administered Payments table and the expenditure from the Administered Payments table. It should be noted that the revenue and expenditure may not be equal due to the same timing issues discussed under the Net Operating Result of the Financial Summary.

Example Grants and Subsidies Table

| | 2002-03 | 2003-04 | |
|---|----------------|----------------|------------------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| REVENUE | | | |
| Revenue from Government | | | |
| Reserved by Law | 3 512 | 3 512 | .... |
| Other Revenue | 152 | 52 | (65.8) |
| TOTAL | 3 664 | 3 564 | (2.8) |
| EXPENSES | | | |
| Criminal Injuries Compensation Act 1976 Victims Fund | 2 | 2 | .... |
| Criminal Injuries Compensation Fund Account | 3 512 | 3 512 | .... |
| Residential Tenancy Code | 50 | 50 | .... |
| TOTAL | 3 564 | 3 564 | .... |

Revenue Collected on Behalf of the Consolidated Fund

This is similar to information in previous years on fees and charges transferred to the Consolidated Fund. The Revenue Collected table still lists the revenues that have been collected and transferred to the Consolidated Fund. However, it now also incorporates a revenue section, which classifies these revenues transferred into the AAS revenue classifications. It should be noted that the revenue and expenditure may not be equal due to the timing of the collection of the revenues and the clearance of those funds to the Consolidated Fund. An example Revenue Collected on Behalf of the Consolidated Fund table is provided below.

Example Revenue Collected on Behalf of the Consolidated Fund table

| | 2002-03 | 2003-04 | |
|--|---------|---------|-----------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| REVENUE | | | |
| Fines and Regulatory Fees | 8 500 | 8 500 | .... |
| Sales of Goods and Services | 7 915 | 8 105 | 2.4 |
| TOTAL REVENUE | 16 415 | 16 605 | 1.1 |
| Transfers to the Consolidated Fund | | | |
| Business Affairs reimbursement for forgone company registration | 5 769 | 3 507 | (39.3) |
| Consumer Affairs Office fees and recoveries | 266 | 2 673 | 904.8 |
| Film Censorship reimbursement | 68 | 70 | 2.9 |
| Fines | 8 500 | 8 500 | .... |
| Magisterial Courts fees and recoveries | 554 | 567 | 2.3 |
| Registrar-General fees and recoveries | 729 | 746 | 2.3 |
| Supreme Court fees and recoveries | 524 | 537 | 2.4 |
| Tasmanian Industrial Commission fees and recoveries | 5 | 5 | .... |
| TOTAL TRANSFERS TO THE CONSOLIDATED FUND | 16 415 | 16 605 | 1.1 |

CAPITAL INVESTMENT PROGRAM

This section of the chapter is fundamentally the same as in 2002-03 in that it includes the total expenditure, both maintenance and capital, on projects to be undertaken through the CIP.

DETAILED BUDGET STATEMENTS

Detailed Budget statements include the following:

- Output Group Expense Summary;
- Statement of Financial Performance;
- Statement of Financial Position; and
- Statement of Cash Flows.

In general, the Output Groups form the controlled section of the Statement of Financial Performance, the Statement of Financial Position and the Statement of Cash Flows. The Grants and Subsidies and Revenue Collected on Behalf of the Consolidated Fund form the administered section of the Statements.

Output Group Expense Summary

The Output Group Expense Summary is equivalent to the previous Summary used in 2002-03. It has been slightly reformatted to be consistent with the Output expenses section by of the Summary Financial Information in each Output Group tables. An example Output Group Expense Summary table is provided below.

This table is consistent with the Financial Summary in that it only includes the maintenance component of the CIP expenditure.

Example Output Group Expense Summary Table

| | 2002-03 | 2003-04 | |
|--|---------|---------|-----------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| Output Group 1 - Administration of Justice | | | |
| 1.1 Supreme Court Services | 5 862 | 5 853 | (0.2) |
| 1.2 Magisterial Court Services | 8 155 | 8 308 | 1.9 |
| 1.3 Enforcement of Monetary Penalties | 1 862 | 1 569 | (15.7) |
| 1.4 Support and Compensation for Victims of Crime and Others | 437 | 479 | 9.6 |
| 1.5 Legal Aid | 5 899 | 7 057 | 19.6 |
| 1.6 Mental Health Review and Guardianship Board Decisions | 1 058 | 1 100 | 4.0 |
| | 23 273 | 24 366 | 4.7 |
| Output Group 2 - Legal Services | | | |
| 2.1 Crown Law | 5 668 | 5 654 | (0.2) |
| 2.2 Legal Policy Advice and Law Reform | 535 | 549 | 2.6 |
| | 6 203 | 6 203 | .... |
| Output Group 3 - Registration Services | | | |
| 3.1 Births Deaths and Marriages | 717 | 728 | 1.5 |
| | 717 | 728 | 1.5 |

Example Output Group Expense Summary Table (continued)

| | 2002-03 Budget \$'000 | 2003-04 Budget \$'000 | Variation % |
|---|-----------------------------|-----------------------------|----------------|
| Output Group 4 - Review Services | | | |
| 4.1 Decisions on Complaints Referred to the Ombudsman and Health Complaints Commissioner and Freedom of Information | 1 614 | 1 634 | 1.2 |
| 4.2 Anti Discrimination Commission | 778 | 797 | 2.4 |
| | 2 392 | 2 431 | 1.6 |
| Output Group 5 - Electoral Services | | | |
| 5.1 Elections and Referendums | 4 380 | 1 514 | (65.4) |
| | 4 380 | 1 514 | (65.4) |
| Output Group 6 - Corrective Services | | | |
| 6.1 Prison Service | 27 551 | 28 071 | 1.9 |
| 6.2 Community Corrective Service | 3 307 | 3 390 | 2.5 |
| | 30 858 | 31 461 | 2.0 |
| Output Group 7 - Other Services | | | |
| 7.1 Supervision of Poppy and Hemp Crops | 593 | 598 | 0.8 |
| | 593 | 598 | 0.8 |
| Output Group 8 - Consumer Services | | | |
| 8.1 Maintenance of a Fair, Safe and Equitable Market Place | 2 763 | 2 777 | 0.5 |
| | 2 763 | 2 777 | 0.5 |
| Output Group 9 - Industrial Relations Services | | | |
| 9.1 Industrial Relations and Policy Advocacy Service | 479 | 473 | (1.3) |
| 9.2 Services of the Tasmanian Industrial Commission | 1 909 | 1 907 | (0.1) |
| 9.4 Workers Rehabilitation and Compensation Tribunal Decisions | 1 166 | 1 138 | (2.4) |
| | 3 554 | 3 518 | (1.0) |
| Grants and Subsidies | 3 564 | 3 564 | .... |
| Other | 849 | 587 | (30.9) |
| TOTAL AGENCY | 79 146 | 77 747 | (1.8) |

Statement of Financial Performance

The Statement of Financial Performance includes all of the operating transactions undertaken by the department. It includes all controlled and administered transactions including the revenue collected on behalf of the Consolidated Fund. The controlled and administered activities are segregated into two parts within this Statement.

The top part of the Statement only recognises revenues and expenses that the department can utilise for its own purposes and make decisions on. These activities are known as controlled activities.

However, the department may have other responsibilities that it undertakes on behalf of Government, such as the levying and collection of taxes, fines and fees and the making of specific grants and transfer payments. The department is unable to use the proceeds of these taxes, fines and fees collected for its own use and, in regards to the grants and transfer payments, is unable to make decisions on the amounts or the beneficiaries that receive the payments. These activities are known as administered activities. These activities that the department has no control over but is responsible for are separately disclosed as administered in this Statement.

An example Statement of Financial Performance is provided below.

Example Statement of Financial Performance

| | 2002-03 | 2003-04 | |
|--------------------------------------|-----------------|----------------|------------------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| OPERATING REVENUE | | | |
| Revenue from Government | | | |
| Annual Appropriation | 53 681 | 68 119 | 26.8 |
| Reserved by Law | 7 025 | 5 474 | (22.1) |
| Other | .... | 1 800 | .... |
| Grants | 100 | 100 | .... |
| Sales of Goods and Services | 11 034 | 11 091 | 0.5 |
| TOTAL | 71 840 | 86 584 | 20.5 |
| OPERATING EXPENSES | | | |
| Employee Entitlements | 43 250 | 43 324 | 0.1 |
| Superannuation | 3 455 | 3 646 | 5.5 |
| Depreciation and Amortisation | 6 630 | 4 602 | (30.6) |
| Grants and Transfer Payments | 3 227 | 3 573 | 10.7 |
| Supplies and Consumables | 19 020 | 19 038 | .... |
| TOTAL | 75 582 | 74 183 | (1.9) |
| NET OPERATING RESULT | (3 742) | 12 401 | (431.5) |

Example Statement of Financial Performance (continued)

| | 2002-03 | 2003-04 | |
|-----------------------------------|---------------|---------------|-------------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| ADMINISTERED ITEMS | | | |
| REVENUE | | | |
| Revenue from Government | | | |
| Reserved by Law | 3 512 | 3 512 | .... |
| Fines and Regulatory Fees | 8 500 | 8 500 | .... |
| Sales of Goods and Services | 8 067 | 8 157 | 1.1 |
| TOTAL | 20 079 | 20 169 | 0.4 |
| EXPENSES | | | |
| Grants and Subsidies | | | |
| Grants and Transfer Payments | 3 512 | 3 512 | .... |
| Supplies and Consumables | 52 | 52 | .... |
| Total Grants and Subsidies | 3 564 | 3 564 | .... |
| Transfer to the Consolidated Fund | 16 415 | 16 605 | 1.1 |
| TOTAL | 19 979 | 20 169 | 0.9 |

Statement of Financial Position

The Statement of Financial Position includes all of the assets and liabilities of the department. The assets and liabilities are segregated into controlled and administered activities within this Statement. Assets and Liabilities are broken down into current and non-current amounts. The current amounts reflect what is expected to be received (assets) or paid (liabilities) within the next 12 months and non-current amounts reflect what is expected to be received or paid outside the next 12 months. Assets reflect what the Government has or what is owed to the Government whereas liabilities reflect what the Government owes to others.

An example Statement of Financial Performance is provided below.

Example Statement of Financial Position

| | 2002-03 | 2003-04 | |
|--------------------------------|---------------|---------------|---------------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| CURRENT ASSETS | | | |
| Cash | 2 225 | 2 100 | (5.7) |
| Receivables | 1 480 | 1 780 | 20.2 |
| Other | 251 | 251 | .... |
| TOTAL | 3 956 | 4 131 | 4.4 |
| NON-CURRENT ASSETS | | | |
| Land and Buildings | 60 268 | 74 363 | 23.3 |
| Plant and Equipment | 1 355 | 1 344 | (0.9) |
| Infrastructure | 3 065 | .... | (100.0) |
| Other | 1 285 | 1 207 | (6.1) |
| TOTAL | 65 973 | 76 914 | 16.5 |
| TOTAL ASSETS | 69 929 | 81 045 | 15.8 |
| CURRENT LIABILITIES | | | |
| Payables | 721 | 1 021 | 41.6 |
| Employee Entitlements | 5 118 | 3 965 | (22.6) |
| TOTAL | 5 839 | 4 986 | (14.7) |
| NON-CURRENT LIABILITIES | | | |
| Employee Entitlements | 6 736 | 6 474 | (3.9) |
| TOTAL | 6 736 | 6 474 | (3.9) |
| TOTAL LIABILITIES | 12 575 | 11 460 | (8.9) |
| NET ASSETS | 57 354 | 69 585 | 21.3 |

Example Statement of Financial Position (continued)

| | 2002-03 Budget \$'000 | 2003-04 Budget \$'000 | Variation % |
|--------------------------------|-----------------------------|-----------------------------|----------------|
| ADMINISTERED ITEMS | | | |
| CURRENT ASSETS | | | |
| Cash | 528 | 428 | (19.0) |
| Receivables | 7 838 | 7 838 | .... |
| TOTAL | 8 366 | 8 266 | (1.2) |
| NON-CURRENT ASSETS | | | |
| TOTAL | .... | .... | .... |
| TOTAL ASSETS | 8 366 | 8 266 | (1.2) |
| CURRENT LIABILITIES | | | |
| Payables | 673 | 673 | .... |
| TOTAL | 673 | 673 | .... |
| NON-CURRENT LIABILITIES | | | |
| Payables | 12 | 12 | .... |
| TOTAL | 12 | 12 | .... |
| TOTAL LIABILITIES | 685 | 685 | .... |
| NET ASSETS | 7 681 | 7 581 | (1.4) |

Statement of Cash Flows

The Statement of Cash Flows includes all of the operating, investing and financing transactions undertaken by the department. It includes all controlled and administered transactions including the revenue collected on behalf of the Consolidated Fund. The controlled and administered activities are segregated into two parts within this Statement. An example Statement of Cash Flow is provided below.

The Statement of Cash Flows also includes the GST transactions that were previously recorded in the Administered Payments table. The GST flows are shown in the administered cash flows from operating activities. In accordance with AAS principles, GST is not reflected in the Statement of Financial Performance.

Operating activities reflect the normal operations or core business of the department. The investing activities reflect the department management of assets including the sale and purchase of fixed assets such as land, buildings and plant and equipment and management of investments and customer loans. The

financing activities generally reflect the borrowing activity of the department. Activity in this area in the General Government Sector is restricted and will only appear in some department statements.

Example Statement of Cash Flows

| | 2002-03 | 2003-04 | |
|---|-----------------|------------------|--------------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Revenue from Government | | | |
| Appropriation | 53 681 | 68 119 | 26.8 |
| Reserved By Law | 7 025 | 5 474 | (22.1) |
| Grants | 100 | 100 | .... |
| Sales of Goods and Services | 11 034 | 10 791 | (2.3) |
| Payments | | | |
| Employee Entitlements | (42 600) | (44 218) | 3.7 |
| Superannuation | (3 455) | (3 646) | 5.5 |
| Grants and Transfer Payments | (3 227) | (3 573) | 10.7 |
| Supplies and Consumables | (19 169) | (18 738) | (2.3) |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES | 3 389 | 14 309 | 322.2 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Fixed Assets | (3 465) | (16 172) | 366.7 |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | (3 465) | (16 172) | 366.7 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES | .... | .... | .... |
| Net Increase/(Decrease) In Cash Held | (76) | (1 863) | .... |
| Cash at the Beginning of Reporting Period | 2 301 | 3 963 | 72.2 |
| Cash at the End of Reporting Period | 2 225 | 2 100 | (5.7) |

Example Statement of Cash Flows (continued)

| | 2002-03 | 2003-04 | |
|---|-------------|-------------|----------------|
| | Budget | Budget | Variation |
| | \$'000 | \$'000 | % |
| ADMINISTERED ITEMS | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Revenue from Government | | | |
| Reserved By Law | 3 512 | 3 512 | .... |
| Fines and Regulatory Fees | 8 500 | 8 500 | .... |
| Sales of Goods and Services | 8 067 | 8 157 | 1.1 |
| GST Receipts | 1 700 | 1 700 | .... |
| Payments | | | |
| Grants and Transfer Payments | (3 512) | (3 512) | .... |
| Supplies and Consumables | (52) | (52) | .... |
| Transfers to the Consolidated Fund | (16 415) | (16 605) | 1.1 |
| GST Payments | (1 700) | (1 700) | .... |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES | 100 | .... | (100.0) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | .... | .... | .... |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES | .... | .... | .... |
| Net Increase/(Decrease) In Cash Held | 100 | .... | (100.0) |
| Cash at the Beginning of Reporting Period | 428 | 428 | .... |
| Cash at the End of Reporting Period | 528 | 428 | (19.0) |

Reconciliation

A reconciliation of a department's Consolidated Fund Appropriation to Total Operating Expenses in the Operating Statement has been provided to assist in the interpretation of expenditure in this Chapter and the transition to the new Framework.

The reconciliation provided in each department's chapter in Budget Paper No 2.

5 GLOSSARY

Accrual Accounting

Records transactions in the period in which revenue is earned or expenses incurred, regardless of whether a cash payment is made.

Accrual Accounting Statements

Consist of a Statement of Financial Performance (Operating Statement), a Statement of Financial Position (Balance Sheet), and a Statement of Cash Flows.

Appropriation

The process by which monies are allocated by Parliament to Ministers for the purposes of funding departments to provide goods and services to the public.

Consolidated Fund

The main account of the Government, which records:

- taxes, fines, fees collected;
- the majority of Commonwealth grants;
- financial distributions from non-General Government agencies; and
- recurrent and capital appropriations to departments.

General Government Sector

The General Government Sector comprises all Government departments, offices, and agencies, as well as other entities that provide services free of charge or at prices substantially below their cost of production.

These other entities are:

- Inland Fisheries Service;
- Marine *and* Safety Tasmania;
- Nominal Insurer;
- Royal Tasmanian Botanical Gardens;
- Tasmanian Fire Service; and
- TAFE Tasmania.

Government Finance Statistics (GFS)

A system developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

Statement of Cash Flows

Contains cash inflows and outflows from the department's or Government's main operations, together with cash flows derived from both investing and financing activities.

Statement of Financial Performance (Operating Statement)

Details the major categories of expenses and revenues of departments and includes non-cash items such as depreciation and accrued superannuation entitlements. The statement also reflects movements in accrued items such as accounts receivable and accounts payable.

Statement of Financial Position (Balance Sheet)

A report outlining the assets, liabilities and equity (net worth) of an department or the Government as a whole, at a specific date.

Outcomes

The results for the community, which the Government is seeking to influence.

Outputs

Goods and services provided by departments to assist the achievement of the Government's desired outcomes.

Public Non-Financial Corporation (PNFC)

Agencies which charge for services provided, and hence have a broadly commercial orientation (eg. Hydro Tasmania and Transend Networks Pty Ltd).

Public Financial Corporation (PFC)

Agencies which have one, or more, of the following functions:

- that of a central bank;
- the acceptance of demand, time or savings deposits; or
- the authority to incur liabilities and acquire financial assets in the market of their own account.

For example, Tasmanian Public Finance Corporation and the Motor Accidents Insurance Board.

6 OTHER SOURCES OF INFORMATION

In addition to this Budget Guide, Treasury has published the following documents, which provide information on accrual budgeting issues relevant to Tasmania.

Tasmanian Government Finance System

This document provides 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.

Accrual Budgeting Framework Booklet

This Booklet has been prepared to provide an introduction to the Accrual Budget Framework and provide a brief overview of new Budget presentation requirements and definitions of new Budget measures.

Department of Treasury and Finance Website

This web site provides information on the Accrual Budget and Financial Management Project, including Project developments and progress with the implementation of the accrual budgeting framework. At www.treasury.tas.gov.au, select the Accrual Budget Implementation item.

This web site also has the 2003-04 Budget Papers. At www.treasury.tas.gov.au, the Budget Papers can be located under the Publications item.

