

CONVENTIONS AND GLOSSARY OF TERMS

CONVENTIONS

Figures in tables have been rounded. Discrepancies in tables between totals and sums of component items reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts.

The notation for zero or rounded to zero figures is '....'.

Percentages in excess of 999 per cent are shown as '....'.

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.

Advances

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

Appropriation

An amount that 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.

Australian Equivalents to International Financial Reporting Standards (AEIFRS)

Australia is adopting International Accounting Standards from the reporting period beginning on or after 1 January 2005. Financial information presented in the 2006-07 Budget Papers is prepared in accordance with the Australian Equivalents to International Reporting Standards.

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 7 of Budget Paper No 1 *Budget Overview 2006-07*.

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 Australian 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 Community Service Obligations (CSOs).

Community Service Obligations (CSOs)

CSOs are activities undertaken by a GBE that would not be undertaken if it were 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 that 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 that 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.

Economic and Social Infrastructure Fund

The Economic and Social Infrastructure Fund was established in the 2003-04 Budget to provide funding for major economic projects and the implementation of social initiatives. Further information on the Economic and Social Infrastructure Fund is provided in Chapter 4 of Budget Paper No 2 *Operations of Government Departments 2006-07*.

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 Australian Government and state governments establishing the Loan Council and prescribing a framework for governmental borrowing and sinking fund arrangements.

Financial Year

The financial year runs from 1 July in one calendar 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.

Fiscal Balance

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

The Fiscal Balance measures the 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 investment spending, while a Fiscal Deficit indicates that the Government is spending reserves, including previously accumulated surpluses, to fund its investment spending.

In a year in which the Government undertakes major capital works, other things being equal, a Fiscal Balance will be significantly lower compared with the Net Operating Result.

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 Deficit

See Fiscal Balance.

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.

Fiscal Surplus

The Fiscal Surplus measures a government's investment-saving balance. A Fiscal Surplus indicates that a government is saving more than enough to finance all of its operations and capital spending. The Fiscal Surplus (which is recorded in the Operating Statement) differs from the net operating balance in relation to the treatment of capital expenditure. The Fiscal Surplus includes net capital expenditure, but not depreciation.

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), public sector entities have been classified according to the General Government, Public Non-Financial Corporation (PNFC) or Public Financial Corporation (PFC) Sectors. 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

Revenue transfers provided by the Australian Government to the states and territories, and local governments, to be used for purposes determined by the recipients. Under the IGA, general revenue assistance grants are currently provided in the form of GST revenue payments and National Competition policy related payments. National Competition Policy payments will, however, not be continued beyond 2006-07.

Goods and Services Tax (GST)

This is a tax imposed by the Australian 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.

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 International Monetary Fund's *A Manual on Government Finance Statistics*. It is the framework used to prepare budgets and outcomes, in accordance with UPF.

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.

Grants and Subsidies Expenditure

Grants and Subsidies Expenditure 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 (CSOs) and Community Service Activities (CSAs) payments to Government Business Enterprises (GBEs) and State-owned Companies (SOC). 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 Grants and Subsidies expenditure are included in relevant department chapters in Budget Paper No 2.

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 Australian Government 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

The Infrastructure Fund (comprising a Social Infrastructure Fund and an Economic Infrastructure Fund) was established in the 2001-02 Budget to provide funding for the development of major government social and economic infrastructure.

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

This is the agreement signed by the Australian 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 Australian, state and territory Treasurers which meets, usually on an annual basis, to determine the Loan Council Allocation 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 PNFC 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 Australian 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).

2005-06 was the last year the State's received NCP payments. Despite the expectation that the economic benefits of the NCP reforms undertaken by the states will continue producing revenue gains at the national level, the Australian Government has announced that it is reallocating funding for NCP payments to water reform, in the form of the Australian Water Fund.

Net Debt

The State's Net Debt is defined as the difference between selected financial assets (claims the Government has on external organisations and individuals) and selected 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 non-financial corporations), liabilities for unfunded employee entitlements and assets and liabilities in the form of long-term trade credit.

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 expenses less interest revenue and interest received from investments) to total revenue 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'.

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; and
- 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 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 provided 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.

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 Non-Financial Corporation Sector

The PNFC comprises those entities that aim to cover the majority of their expenses by revenue from the sale of goods and services and which are mainly market, non-regulatory and non-financial in nature. Generally, this sector covers the State's Government Business Enterprises (GBEs) and State-owned Companies (SOCs).

Public Financial Corporations Sector

The Public Financial Corporations Sector comprises those entities that provide financial services, including central borrowing authorities (the Tasmanian Public Finance Corporation) and insurance companies (Motor Accidents Insurance Board). Central borrowing authorities provide finance for other government entities and arrange investments of their surplus funds.

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 Grants and Subsidies expenditure 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 a separate appropriation.

Royalty

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

Special Capital Investment Funds

The Special Capital Investment Funds include the; Economic and Social Infrastructure Fund (ESIF), Structural and Performance Initiatives Program (SPIP), Social Infrastructure Fund (SIF), Infrastructure Fund (IF), Royal Hobart Hospital Redevelopment Fund, Better Roads Fund, and the Community Health and Well Being Fund.

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 Australian Government 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 Australian Government. 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 7 of Budget Paper No 1 *Budget Overview 2006-07*. 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.

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.

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 Commonwealth income tax. Taxation equivalents are applied to ensure that GBEs and SOCs are not placed at a competitive advantage due to their exemption from this tax.

Territorial Revenue

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

Treasurers' Conference

Under the IGA, the Treasurers' Conference is established, comprising the Treasurer of the Commonwealth and the Treasurers of the states and territories. The detailed responsibilities of this forum 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.

Uniform Presentation Framework (UPF)

The May 1991 meeting of the Premier's Conference agreed to the introduction of the Uniform Presentation Framework in 1991. The primary objective of the UPF is to ensure that Australian, 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 was last revised in March 2000 to adopt accrual Government Finance Statistics based reporting.

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 Australian Government raises around 73 per cent of national tax revenues but has direct responsibility for only approximately 58 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 department's Capital Investment Programs and the appropriation of funds to the Economic and Social Infrastructure Fund.