

# The ACT Budget Process

- An Introduction for  
ACT Government Officers



Department of Treasury  
December 2006

# Session Overview



- Part 1 - Background
- Part 2 - Financial Framework
- Part 3 - The Budget Process
- Part 4 – Budget Papers
- Part 5 – Estimates Process

# Part 1 - Background

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1.1 The Australian Capital Territory (ACT)

1.2 ACT Government

1.3 Structure of Government

# 1.1 The Australian Capital Territory

- A city-state of 328,000 people, 99% located in urban areas.
- Gross State Product (GSP) of \$19.5 billion.
- ACT Government spending estimated at \$2.7 billion (Appropriation Act 2006-07).
- Governed by an elected Parliament (Legislative Assembly) and accountable to the community.

# 1.2 ACT Government

- The ACT is a unique government within Australia, acting at a state level as well as at a local council level.

- Typical **state** government functions include:
  - Health
  - Education
  - Police
  - Courts
  - Public Housing
  - Tourism
  - Children's, Youth and Family Services

- Typical **local** government functions include:
  - Municipal services
  - Community services
  - Cultural services
  - Regulatory services
  - Environmental services

## 1.3 Structure of ACT Government

- Departments – provide services to the community
- Territory authorities – body corporates established by an Act
- Territory owned corporations – body corporates established by the *Territory Owned Corporations Act 1990*

# Part 2 - Financial Framework



2.1 What is Financial Management?

2.2 Laws Controlling the Financial Framework

## 2.1 What is Financial Management?

- Setting a financial plan (budget) based on objectives
- Financial administration including control of revenue, expenditure, assets and liabilities
- Preparing financial statements and monitoring performance

## 2.2 Laws Controlling Financial Management

**Australian Capital Territory  
(Self-Government) Act 1988**

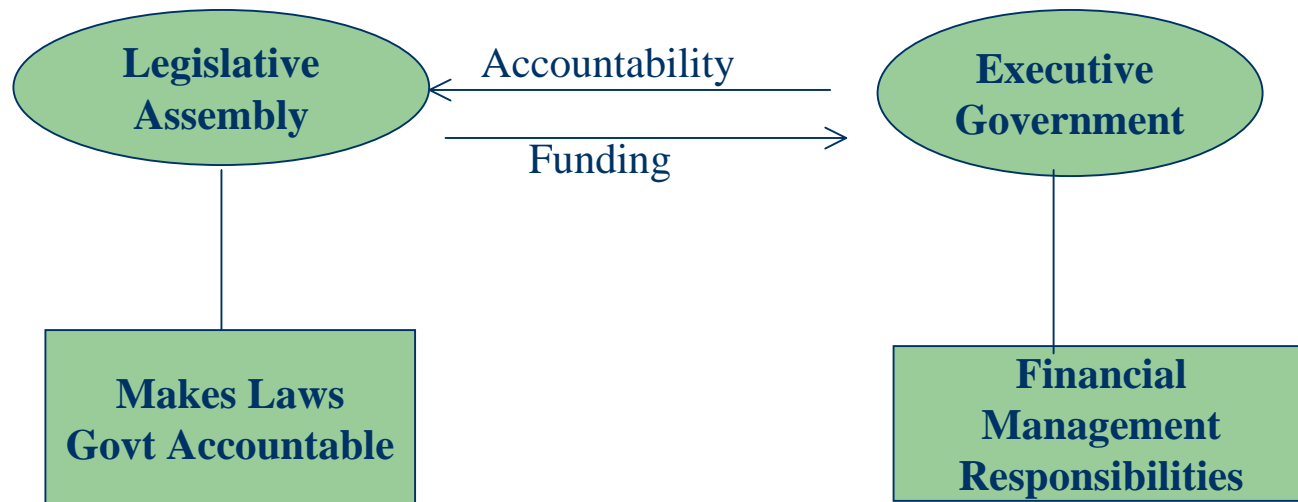
**Financial Management  
Act 1996**

**Territory Owned  
Corporations Act 1990**

**Accounting Standards**

## 2.2 Laws Controlling Financial Management - continued

### ACT (Self-Government Act) 1988



## 2.2 Laws Controlling Financial Management - continued

<b>Self Govt Act</b>	<b>FMA</b>
<ul style="list-style-type: none"><li>● No public money of the Territory shall be issued, spent or invested except as authorised by enactment</li></ul>	<ul style="list-style-type: none"><li>● Budget management</li><li>● Financial reports</li><li>● CE responsibilities</li><li>● Banking, investment &amp; borrowing</li><li>● Territory authorities reporting &amp; governance</li></ul>

## 2.2 Laws Controlling Financial Management - continued

- Who does the FMA apply to?
  - Territory
    - Departments
    - Territory Authorities
    - Only applies to Territory Owned Corporations in relation to budget papers and Territory reporting

# Part 3 – The Budget Process



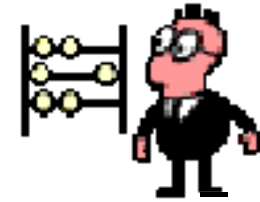
- 3.1 What is a Budget?
- 3.2 Budget Framework
- 3.3 Budget Timetable
- 3.4 Budget Strategy
- 3.5 Community Consultation
- 3.6 Roles
- 3.7 Recurrent Budget Initiatives

# Part 3 - The Budget Process – continued

3.8 Capital Initiatives

3.9 Output Budgeting

3.10 Update to the Budget and Forward  
Estimates



## 3.1 What is a Budget?

- Govt's financial plan of the Territory and its agencies:
  - the financial resources available (revenue) and how resources will be used (expenses)
  - the assets and liabilities
  - cash flows
  - output performance information
- Budget is specified for the next financial year, and three out years

## 3.2 Budget Framework

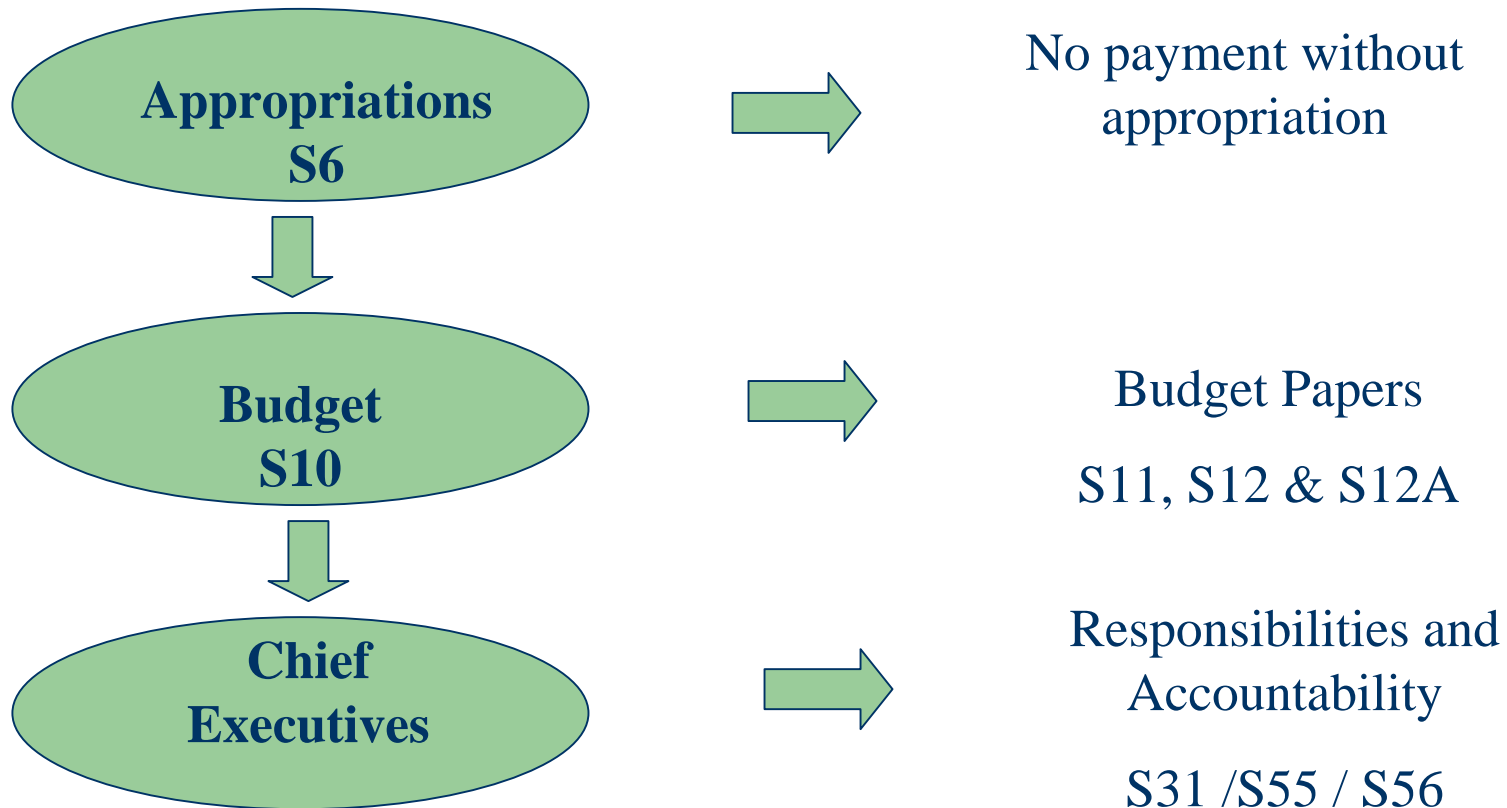


- Legislation
  - Self-Govt Act and FMA
- Decisions Concerning Budget Process
  - Budget Cabinet
- Measurement
  - Agencies (GAAP, Output Performance Indicators)
  - Whole of Govt (GFS, GAAP)
- Documentation
  - Agencies (Budget Paper 4)
  - Whole of Govt (Budget Paper 3)

## 3.2 Budget Framework - continued

- Budget = first Appropriation Bill of a year
- Money can only be spent in accordance with an appropriation (Section 6)
- Supplementary appropriations = any appropriation bill presented after the Budget (Section 13)
  - “top up” for agencies
  - Govt can change priorities during the year

## 3.2 Budget Framework - continued



## 3.3 Budget Timetable



September	-Govt develops strategic priorities
October	-Invitation to community to participate in budget process
November	-Concept briefs -Agencies identify savings / offsets -Agency review of output performance indicators
Nov through to Jan	-Agency review Strategic Asset Mgmt Plans for capital upgrade funding
December	-Govt considers concept briefs

## 3.3 Budget Timetable - continued

Dec to Jan	-Agency business case development based on approved concept briefs
End Jan	-Agencies to submit revised output performance indicators
1 <sup>st</sup> Feb	-Ministers to provide business cases to Treasurer
Mid to Late Feb	-Review of recurrent and capital initiative business cases
Late Feb	-Resubmit final business cases for consideration if necessary

## 3.3 Budget Timetable - continued

March to April	-Govt considers all business cases
Mid April	-Final budget decisions
April to May	-Budget papers
5 June	-Budget day
June / July	-Estimates process
July / August	-Debate of the Budget

## 3.4 Budget Strategy



- Budget reflects
  - Govt's broader policy agenda
    - Canberra Plan, Canberra Social Plan etc
  - Financial Policy Agenda
    - Achieve a net operating surplus
    - Maintaining operating cash surpluses
    - Maintaining a AAA credit rating
    - Managing debt prudently

## 3.5 Community Consultation



- General invitation
  - Community, business groups
    - Submissions to relevant Minister
    - Ministers reference submissions in budget proposals
  - Submissions requested in early October
  - Submissions due 30 November

## 3.6 Roles



- Budget Cabinet
  - 5 Ministers form the Budget Cabinet
  - Meet in Sept to make decisions on Budget timetable and process
  - Meet around December each year to make preliminary decisions on:
    - Fiscal strategy
    - Recurrent initiatives
    - Capital initiatives and projects
    - Savings / offsets
    - Revenue estimates

## 3.6 Roles - continued

- Budget Cabinet – (cont)
  - Meet late March early April to consider full and final business cases and the Appropriation Bill
- Treasury
  - Coordinates the budget process with agencies
  - Detailed analysis and monitors information provided by agencies to be included in budget
  - Providing Cabinet with financial updates throughout the budget process, including advice on budget pressures
  - Develops and prepares of budget papers

## 3.6 Roles - continued

- Agencies - advise Ministers
  - Recurrent initiatives
  - Capital initiatives and projects
  - Revenue initiatives
  - Savings proposals or offsets
  - Budget pressures

# Coffee Break

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# Budget Timetable - Recap

September	-Govt develops strategic priorities
October	-Invitation to community to participate in budget process
November	-Concept briefs (recurrent and capital initiatives) -Agencies identify savings, offsets -Agency review of output performance indicators
Nov through to Jan	-Review Strategic Asset Mgmt Plans for capital upgrade funding
December	-Govt considers concept briefs

## 3.7 Budget Initiatives



- Two stage budget initiative approach for recurrent and capital proposals
  - Priority review process
  - Business cases

## 3.7 Budget Initiatives - continued

- Priority Review Process
  - Agencies prepare one page budget concept briefs – recurrent expenditure and capital
  - Initiative offsets required for recurrent expenditure
  - Govt considers concept briefs for agreement to develop full business cases
    - Briefs should be consistent with the budget strategy

## 3.7 Budget Initiatives - continued

- Business Cases

- Recurrent initiative
- Guidance papers and templates are issued to agencies
- Salary and administrative on-costs model available

## 3.8 Capital Initiatives



- Capital works
  - Fixed physical infrastructure
    - Capital works guidelines and templates (feasibility, forward design, or construction)
- Other capital initiatives
  - Major plant and equipment
    - Budget initiative template
  - Projects with a significant IT component
    - Business case template from InTACT

## 3.8 Capital Initiatives - continued

- Capital upgrades
  - Activities intended to extend the effective useful life of an existing asset, or improve the asset's service potential
  - Funding allocated in accordance with strategic asset management plans

## 3.8 Capital Initiatives - continued

- New committee - CPDG
  - Aimed at strengthening capital works planning and delivery
  - Advisory role
  - Reviews agency capital works business cases, proposals / concept plans
  - Monitors progress of capital works projects

# 3.9 Output Budgeting / Performance Indicators

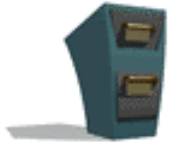


- Budget contains “performance indicators” for each output
  - Output = goods and services provided to the community by the Territory
  - Seeks to measure how well an agency delivers each output
- Two types of performance indicators
  - Strategic Indicators
  - Accountability Indicators

## 3.9 Output Budgeting / Performance Indicators - continued

- Strategic – longer term (outcomes focussed)
  - A target or objective to be achieved by the agency, by Govt, or within the community over the longer-term
- Accountability – short to medium-term
  - A quantifiable effectiveness and efficiency target or objective to be achieved by the agency, by Govt, or within the community in the short to medium-term

# 3.10 Update to the Budget and Forward Estimates



- Treasury regularly updates Govt
  - Tax revenue
  - Commonwealth govt revenue
  - Identifies risks and budget pressures
- Information collected from agencies
- Agencies keep Treasury informed
  - Treasury analysts liaise with agency strategic finance

# Part 4 - The Budget Papers



4.1 Why read budget papers?

4.2 Budget papers 1 to 4

## 4.1 Why Read Budget Papers?

- Budget - key policy statement of the Govt each year
  - Opportunity to implement significant policies
- The Budget shows what the Govt has / hasn't done or will do
- Other people also take notice:
  - Credit rating agencies (eg Standard and Poor's)
  - Govt opposition, Media, business groups and community

## 4.2 Budget Papers 1 to 4

- The ACT Budget is usually presented in 4 Budget Papers:
  - Budget Paper 1 – Speech
  - Budget Paper 2 – Budget at a Glance
  - Budget Paper 3 – Budget Overview
  - Budget Paper 4 – Budget Estimates

## 4.2 Budget Papers - continued

- BP 1 – Speech
  - Treasurer's speech to the Legislative Assembly
  - Highlights:
    - the Govt's Budget strategies
    - key features of the Budget
  - A political speech

## 4.2 Budget Papers - continued

- BP 2 – Budget at a Glance
  - Aims to give community / media a concise overview
  - Summary of overall budgetary position:
    - Budget surplus/deficit over 4 years
    - Govt revenues (taxes, fees, fines)
  - What the money delivers to the ACT community

## 4.2 Budget Papers - continued

- Budget Papers 3 and 4 are the most important
  - BP3 – information on budget initiatives, capital works, the environment, and women
  - BP4 – detailed information on objectives, finances, and performance indicators

## 4.2 Budget Papers - continued

- BP 3 – Budget Overview
  - Key information includes:
    - Budget Strategy and Economic Assumptions
    - Economic Overview
    - Budget and Forward Estimates
  - Budget financial statements

## 4.2 Budget Papers - continued

- BP 3 – Budget Overview – continued
  - Budget Initiatives
  - Revenue Initiatives
  - Capital Works
  - Management of Territory's Financial Position
    - ACT Government borrowings and gross debt
    - Investments
    - Superannuation
  - Contains a copy of the Appropriation Bill

## 4.2 Budget Papers - continued

- BP 4 – Budget Estimates
  - Provides detailed information on each agency:
    - Objectives
    - Priorities / Highlights
    - Business and Corporate Strategies
    - Estimated Employment Level
    - Output Classes

## 4.2 Budget Papers - continued

- BP 4 – Budget Estimates – continued
  - Performance Indicators
    - Strategic Indicators
    - Accountability Indicators
  - Changes to appropriation tables
  - Capital works table

## 4.2 Budget Papers - continued

- BP 4 – Budget Estimates – continued
  - Commonwealth grants
  - Budgeted financial statements
    - Operating Statement
    - Balance Sheet
    - Statement of Changes in Equity
    - Cash Flow Statement
    - Notes to the financial statements

# Part 5 – Estimates Process



- Select Estimates Committee
  - Prior to debate of the Appropriation Bill, the Legislative Assembly will refer the bill to the Estimates Committee for review
  - Scrutiny - determines whether the Budget should be made into law by the Assembly
  - Political significance
    - All Ministers must attend
    - Supported by senior Public Servants
    - Opportunity to ask general questions on all aspects of the administration of the Territory

## 5. Estimates Process - continued

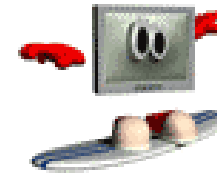
- Treasury supports the Treasurer and monitors the proceedings:
  - Identifies emerging issues
- Estimates Committee provides a report back to the Legislative Assembly
  - Report often includes recommendations - Treasury coordinates the Govt's response to these recommendations
- Budget is then debated

# Summary



- Part 1 - Background
- Part 2 - Financial Framework
- Part 3 - The Budget Process
- Part 4 – Budget Papers
- Part 5 – Estimates Process

# Useful Information



- ACT Legislation Website [[www.legislation.act.gov.au](http://www.legislation.act.gov.au)]:
  - *Financial Management Act 1996*
- DT ACT Budget Website [[www.treasury.act.gov.au/budget](http://www.treasury.act.gov.au/budget)]:
  - 2006-07 Budget Papers (earlier papers available also)
- DT Memos:
  - 2006/15: Initial Budget Timetable (Key Dates)
  - 2006/18: Update of the 2007-08 Budget Timetable

# Useful Information – continued

- DT FABD Website [<http://fabd.act.gov.au>]:
  - website info includes:
    - key due dates
    - budget analyst contact list
    - guidance papers, including:
      - guides to the budget process;
      - recurrent and capital initiative templates
    - relevant Treasury memoranda

# End



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