

The ACT Budget Process

- An Introduction for
ACT Government Officers



Department of Treasury
October 2007

Session Overview



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

Part 1 - Financial Framework



1.1 What is Financial Management?

1.2 Laws Controlling the Financial Framework

1.1 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

1.2 Laws Controlling Financial Management

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

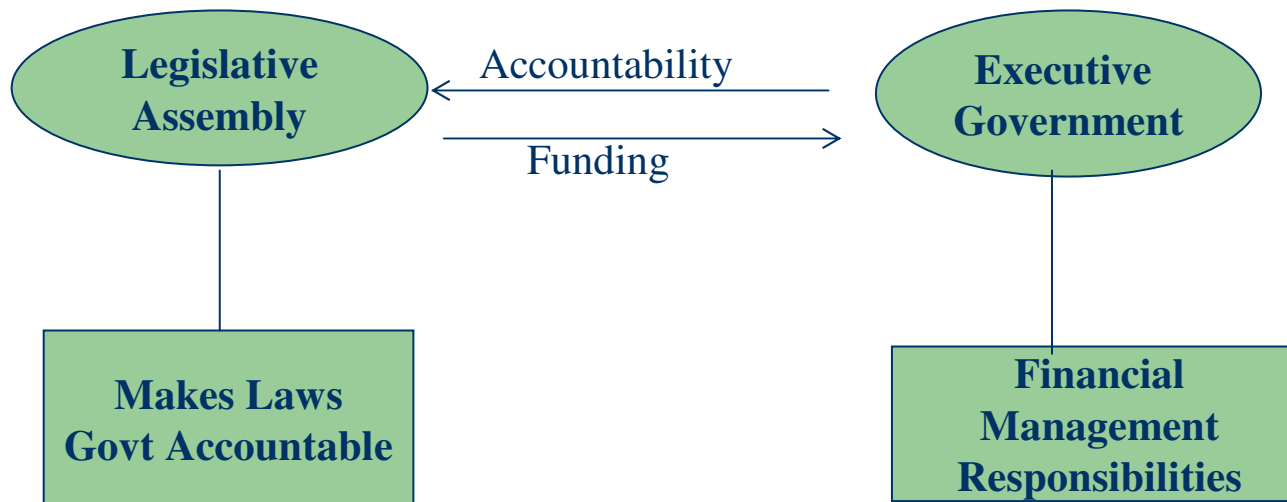
**Financial Management
Act 1996**

**Territory Owned
Corporations Act 1990**

Accounting Standards

1.2 Laws Controlling Financial Management - continued

ACT (Self-Government Act) 1988



1.2 Laws Controlling Financial Management - continued

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

1.2 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 2 – The Budget Process



- 2.1 What is a Budget?
- 2.2 Budget Framework
- 2.3 Roles
- 2.4 Budget Timetable
- 2.5 Community Consultation
- 2.6 Budget Strategy
- 2.7 Recurrent Budget Initiatives

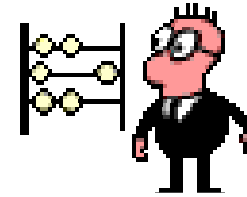
Part 2 - The Budget Process – continued

2.8 Capital Initiatives

2.9 Performance Indicators

2.10 Update to the Budget and Forward
Estimates

2.1 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

2.2 Budget Framework

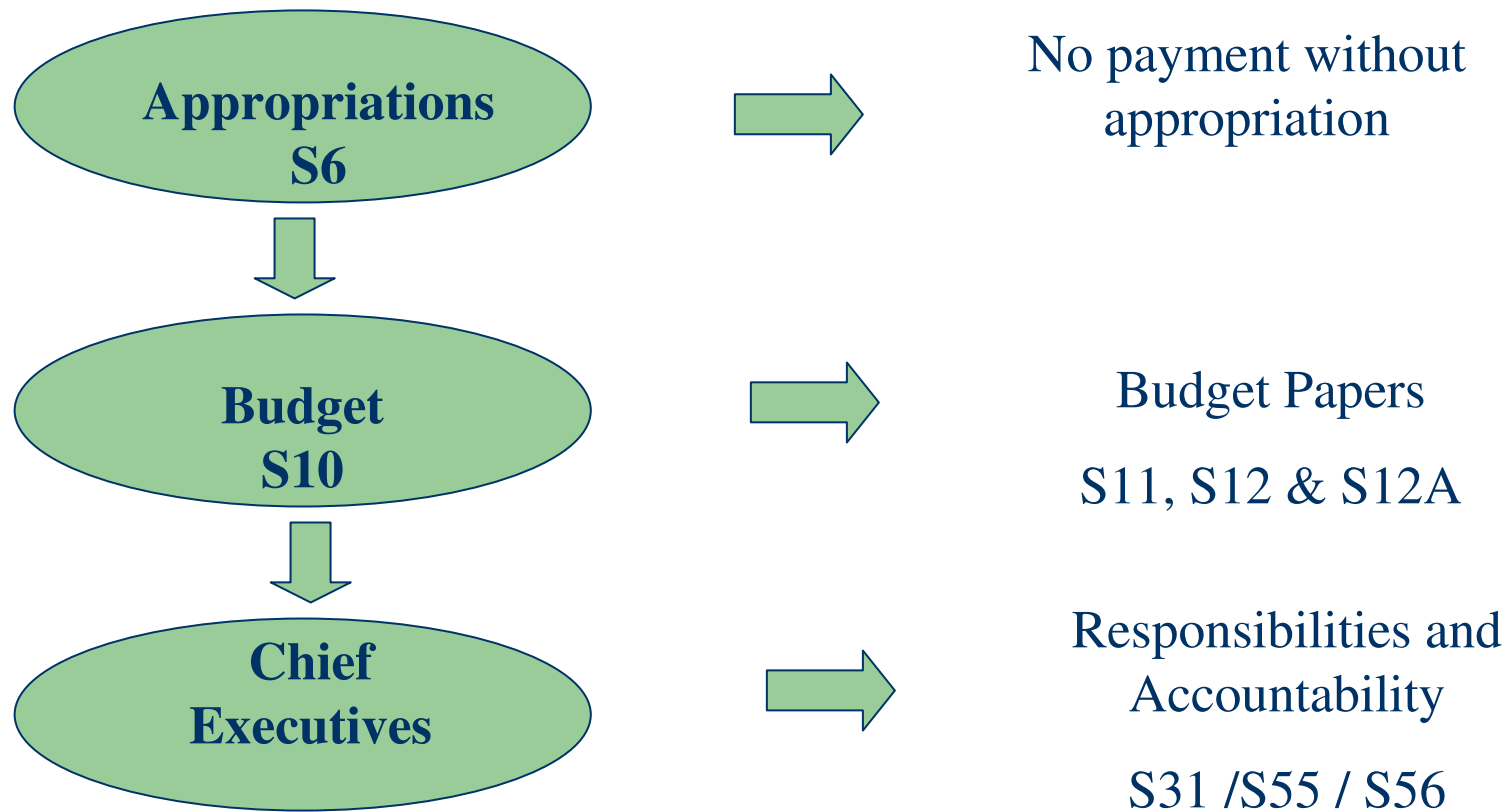


- Legislation
 - Self-Govt Act and FMA
- Decisions Concerning Budget Process
 - Budget Cabinet
- Measurement
 - Agencies (GAAP, Output Performance Indicators)
 - Whole of Govt (GFS, GAAP)
- Documentation
 - Agencies (Budget Paper 4)
 - Whole of Govt (Budget Paper 3)

2.2 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

2.2 Budget Framework - continued



2.3 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

2.3 Roles - continued

- Budget Cabinet – (cont)
 - Meet March to consider full and final business cases
 - Meet early April for any final decisions
- 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

2.3 Roles - continued

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

2.4 Budget Timetable 08-09



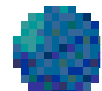
August	-Invitation to community to participate in budget process
September	-Community consultation closes -Govt develops strategic priorities
October	-Concept briefs -Agencies identify savings / offsets
November	-Treasury review of concept briefs
Nov through to Jan	-Agency review Strategic Asset Mgmt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

2.4 Budget Timetable - continued

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

2.4 Budget Timetable - continued

March	-Govt considers all business cases
Early April	-Final budget decisions
April	-Budget papers
6 May	-Budget day
May / Early June	-Estimates process
Mid / Late June	-Debate of the Budget

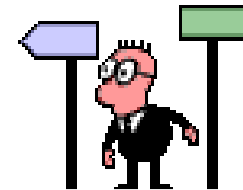


2.5 Community Consultation



- General invitation
 - Community, business groups
 - Submissions to relevant Minister
 - Ministers reference submissions in budget proposals
 - Submissions requested in mid August
 - Submissions due 28 September 2007

2.6 Budget Strategy



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

2.7 Budget Initiatives



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

2.7 Budget Initiatives - continued

- [Initiative Process Flowchart](#)

2.7 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
 - Briefs should take into consideration community consultation submissions

2.7 Budget Initiatives - continued

- Business Cases
 - Recurrent initiative
 - Guidance papers and templates are issued to agencies
 - Salary and administrative on-costs model available
 - What should be included in an agency business case?

2.7 Budget Initiatives - continued

- Justification for the proposal
 - Why is intervention necessary
 - Supported by statistical or other documentation
 - Discusses impact of not proceeding
 - If this is extending an existing program – evidence of success of this program
- Performance measures
 - How can the success of the proposal be evaluated
- Fully costed (including whole of life costing)

2.8 Capital Initiatives



- Capital works
 - Fixed physical infrastructure
 - Capital works guidelines and templates (feasibility, forward design, or construction)
 - Capital works approval process
 - Capital works timing

2.8 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

2.8 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

2.8 Capital Initiatives - continued

- Other capital initiatives
 - Major plant and equipment
 - Projects with a significant IT component
 - Business case template from InTACT
 - Certification required from InTACT & the agency's Information Management & Information Technology Committee

Coffee Break



2.9 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

2.9 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

2.10 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

2.10 Update to the Budget and Forward Estimates - Continued

- Stage 1 (for Second Appropriation 07-08)
 - Audited outcome adjustments (assets & liabilities)
 - Update to revenue estimates
 - Second Appropriation initiatives
- Stage 2 (for Mid Year Review 07-08)
 - Update to revenue estimates
 - Update to estimated outcome for 2007-08
 - Create new out-year
 - Indexation update

2.10 Update to the Budget and Forward Estimates - Continued

- Stage 3 + (budget 2008-09)
 - New certified agreement (if applicable)
 - Revenue updates
 - Budget initiatives
 - Capital works
 - Function changes (AAOs)
 - FMA appropriation changes for 2007-08
 - Estimated outcome for 2007-08
 - Roll over of funding

2.10 Update to the Budget and Forward Estimates - Continued

- [2.4 Budget Timetable 08-09](#)

Part 3 - The Budget Papers



3.1 Why read budget papers?

3.2 Budget papers 1 to 4

3.1 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

3.2 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

3.2 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

3.2 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
 - A great place to live
 - Delivering to the community

3.2 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

3.2 Budget Papers - continued

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

3.2 Budget Papers - continued

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

3.2 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

3.2 Budget Papers - continued

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

3.2 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 4 – 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

4. Estimates Process - continued

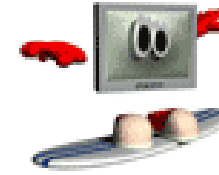
- Treasury supports the Treasurer and monitors the proceedings:
 - Identifies emerging issues
- Estimates Committee provides a report back to the Legislative Assembly
 - Report often includes recommendations - Treasury coordinates the Govt's response to these recommendations
- Budget is then debated

Summary



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

Useful Information



- ACT Legislation Website [www.legislation.act.gov.au]:
 - *Financial Management Act 1996*
- DT ACT Budget Website [www.treasury.act.gov.au/budget]:
 - 2007-08 Budget Papers (earlier papers available also)
- Treasury Accounting Website:
 - www.treasury.act.gov.au/accounting

Useful Information – continued

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

End

