

A guide to changes in 2005-06 Budget presentation

budget 2005-2006



building our city
building our community

ACT Government

AUSTRALIAN CAPITAL TERRITORY



The ACT's Financial Management Framework is based on departments being funded for the delivery of outputs, and accounting on the basis of Generally Accepted Accounting Principles. The Government's strategic outcomes are framed under *The Canberra Plan* and its three sub-plans – the *Canberra Social Plan*, the *Economic White Paper* and the *Canberra Spatial Plan* – as well as strategic plans relating to specific service-delivery priorities.

Departments receive funding, or appropriations, for the delivery of outputs to achieve the outcomes specified under these strategic planning documents. Outputs are grouped into similar categories, or output classes.

Performance indicators provide a measure of performance in the delivery of outputs. Significant reforms to the ACT's performance measurement framework have been implemented in the 2005-06 Budget. Performance indicators are a fundamental part of a successful budgeting and reporting framework.

THE NEW PERFORMANCE MEASUREMENT FRAMEWORK

The Government is committed to sustainability principles, which will be incorporated into its systems and operations, by:

- embedding sustainability within its decision-making processes;
- promoting sustainability to the wider community;
- developing partnerships for sustainability with the ACT community; and
- developing indicators and reporting regularly on progress.

The Government released, as part of the 2004-05 Budget, a discussion paper – *Framework for Future Budget Presentation*. The paper outlined the approach to be adopted in order to incorporate Triple Bottom Line/Sustainability principles in the Budget Papers, and highlighted some of the key issues associated with that approach.

The Paper indicated that the ACT Government's framework for adopting Triple Bottom Line/Sustainability will be based on performance measures, rather than additional bottom line metrics in financial statements.

The revised performance measurement framework is an essential step in achieving this. Improvements have been made to the performance indicators presented in the 2005-06 Budget, and this work will continue into the 2006-07 Budget.

Performance indicators

The performance measurement framework has moved away from the presentation of 'quantity, quality, timeliness and cost' measures. This structure had been criticised for providing a large number of activity measures, many of which provided little value in measuring the performance of an agency.

The objective of the revised performance measurement framework is to develop more meaningful and useful measures, and reduce the total number of measures. While, in the first year, this will result in a break in the measurement of certain performance measures, over the longer term, it will result in more useful information.

Performance indicators are now presented at two levels – strategic indicators and accountability indicators. Strategic indicators are aimed at measuring performance against longer-term and strategic outcomes. They provide a strategic context for the delivery of services to the community, and links to the Government's strategic planning documents. In general, strategic indicators will provide a target or objective to be achieved by the department, by Government, or within the community over the longer-term.

Strategic indicators will not be audited, as the most appropriate and meaningful measures may not lend themselves to strict audit standards. They are intended to provide an indication of the Government's priority outcomes and objectives. The intention will be to track performance over time, or to establish relevant benchmarks with other jurisdictions or service-providers.

Accountability performance indicators measure a department's effectiveness and efficiency in delivering its outputs, and may be measures of outcomes, outputs or inputs. 2005-06 targets are provided for all accountability indicators. Where available, comparative information is also presented for 2004-05. This comparative information is provided for context only, and is not intended to replace the 2004-05 performance measures, or to be reported in the 2004-05 financial statements.

The 2005-06 accountability indicators will be subject to review by the Auditor-General. Amendments to the *Financial Management Act 1996* are currently being developed to support revised audit arrangements.

Output descriptions

The output descriptions presented in the 2005-06 Budget have, in most cases, been expanded to provide users with more information on the outputs and services provided by the department, and where appropriate, include previous 'quantity' information to maintain this level of transparency. This information is not provided as a performance indicator and will not be subject to audit or reporting requirements, but is simply provided to show the predicted level of services or outputs funded by the Government.

2004-05 performance measures

The performance measures published in the 2004-05 Budget will be reported against in the 2004-05 financial statements, and will be subject to the normal audit review, as required under the *Financial Management Act 1996*.

The estimated outcomes against the 2004-05 performance measures have been included in a separate *Appendix to Budget Paper 4*. Where these measures have been retained in the 2005-06 indicators, the 2004-05 targets and estimated outcomes have been included in both the relevant Budget Paper 4 chapter, and in the *Appendix to Budget Paper 4*.

Future Reforms

The Government will continue to develop the financial management framework to incorporate Triple Bottom Line/sustainability principles. Changes incorporated in the 2005-06 performance measurement framework constitute the first step in the process.

Given the divergent views on what constitutes sustainability, and what is sustainable practice, consultation with stakeholders is key to developing a manageable set of performance measures that meet the needs of users. The feedback on the performance indicators included in the 2005-06 Budget Papers will inform further changes.

The performance indicators presented in this Budget will form the basis for the development of cross-agency performance indicators and linkages to planning and reporting frameworks. Emphasis will be given to ensuring that indicators cover a range of social, economic and environmental measures.

In this context, Budget Paper No. 4 is one, albeit an important, tool for setting performance targets and, in part, reporting on that performance. Further work will develop appropriate documents for cross-agency performance reporting and integrating it with reporting on strategic plans.

THE 2005-06 BUDGET PAPERS

Output Classes

The following is an example of one of the Department of Urban Services' Statement of Output Classes.

Output classes are groups of similar outputs.

These columns show the total cost of delivering the outputs within the output class.

OUTPUT CLASSES	Total Cost		Government Payment for Outputs	
	Est. outc. 2004-05 \$'000	Budget 2005-06 \$'000	Est. outc. 2004-05 \$'000	Budget 2005-06 \$'000
Output Class 1				
Municipal Services	x xxx.x	x xxx.x	x xxx.x	x xxx.x
Output 1.3				
Waste and Recycling	x xxx.x	x xxx.x	x xxx.x	x xxx.x
<p>Waste and recycling provides waste and recycling services including: strategic advice and strategy development, household garbage and recycling collection and processing, the implementation of the waste management development control measures, resource recovery and waste infrastructure management.</p> <p>In 2005-06 Waste and Recycling will provide household waste and recycling services to around 129,500 households.</p>				

These columns show the amount of appropriation provided to fund the delivery of the outputs within the output class.

This section provides a description of the individual outputs within each output class. It provides details of the services, activities and deliverables to be provided by the department. Where possible, 'quantity' type information is provided. This information is not intended as a performance measure, or to be subject to audit or reporting requirements. It is provided to maintain transparency for the level of service funded under each output.

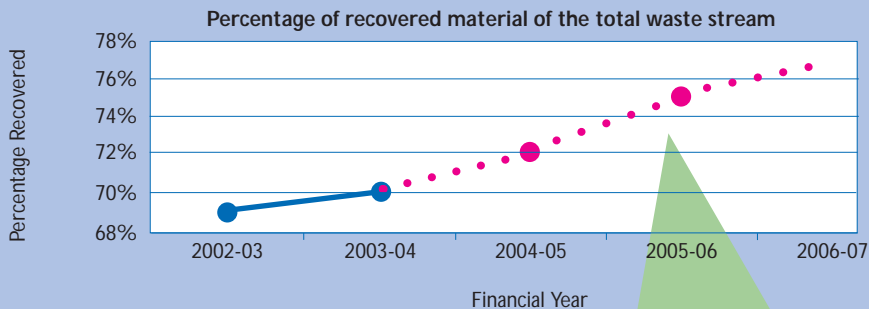
Strategic Indicators

Strategic indicators measure Government's performance against longer-term and strategic objectives and outcomes that impact upon the community.

Examples

The Department of Urban Services has nominated the percentage of recovered material of the total waste stream as its fourth strategic indicator.

Strategic Indicator 4: Percentage of recovered material of the total waste stream



This strategic indicator measures performance against one of the Government's key strategies – No Waste Strategy. It is recognised that a range of factors may influence performance against this indicator, but it is also recognised that the Department of Urban Services has a key role to play in achieving the Government's objectives in this area.

This indicator is calculated using weighbridge data of waste to landfill and data provided by local resource recovery and recycling industries on materials recovered or recycled in the ACT, for the previous financial year. The waste to landfill and the resource recovery data are added together for the total waste generation figure. The resource recovery is then calculated as a percentage of the total waste generated.

This indicator is consistent with the Government's No Waste Strategy (the Strategy), which is based on the established waste hierarchy of "reduce, reuse, recycle, recover," before landfill is considered as an option. The Strategy aims to divert the maximum amount of material from landfill through reuse, recycling and resource recovery alternatives.

The indicator highlights that, despite a trend towards increased total waste generation levels from population and economic growth, the Strategy has been successful in diverting significant and increasing levels of material from landfill. This has resulted in decreasing percentages of waste disposed to landfill and is contrary to the national trend of increasing landfill disposal.

Discussion may be provided under strategic indicators to provide additional context for the targets and to explain the factors influencing the performance.

Accountability Indicators

Accountability indicators measure a department's effectiveness and efficiency in delivering its outputs, and may be measures of outcomes, outputs or inputs.

Examples

The Department of Urban Services has nominated the following accountability indicators that will be used to measure and report upon their performance in delivering their 'Waste and Recycling' output.

This column specifies the accountability indicator. Departments will report against accountability indicators in Annual Reports. They will be subject to a report by the Auditor-General.

Where it is considered useful, additional explanations of performance measures may be provided underneath the indicators.

	2004-05 Targets	2004-05 Estimated Outcome	2004-05 Targets
Output 1.3 Waste and Recycling			
(a) Annual tonnes of waste to landfill per head of population	n/a	n/a	0.59
(b) Annual tonnes of recyclables collected per head of population	n/a	n/a	1.5
(c) Percentage of recovered material of the total waste stream	n/a	n/a	75%
(d) Percentage of customers satisfied with waste collection service	98%	98%	98%
(e) Cost of kerbside collection per household	n/a	n/a	\$57.00
(f) Cost of recyclables processing per tonne	n/a	n/a	\$18.50
(g) Cost of greenwaste processing per tonne	n/a	n/a	\$4.20
(h) Operational cost of landfilling waste per tonne	n/a	n/a	\$11.50

Some indicators may be presented as both strategic and accountability indicators. This will allow for discussion of longer-term targets and provide a strategic context for the department's performance, as well as providing an annual target which will be subject to audit.

Where the accountability indicator is identical to a 2004-05 performance measure, the 2004-05 target and estimated outcome will be included here. Otherwise 'n/a' will indicate that no target was set in 2004-05. Where an estimated outcome is available for new indicators, this will be published to provide contextual information. This is not intended to be audited. In future budgets, prior year comparative information will be available for most measures, and will be included instead of presenting 'n/a'.

CHANGES TO FINANCIAL STATEMENTS

Australia is adopting the International Accounting Standards (IAS) from 1 January 2005. As a result, most ACT agencies will apply these new standards in financial reports for the financial year ending on 30 June 2006. For comparability, the budget estimates for 2005-06 and the forward years are based on these new standards.

Although there are several issues of a technical accounting nature resulting from adopting the IAS, these are unlikely to significantly impact on the Territory's operating result and financial position, except for changes in superannuation and insurance accounting. In the 2005-06 Budget Papers, the changes to both superannuation and insurance accounting have been reflected in the estimated outcome for 2004-05. Therefore, the change in accounting standards does not affect year to year comparability of the budget estimates.

From 1 July 2005, the accrual reporting framework includes an Operating Statement, a Balance Sheet, a Statement of Changes in Equity and a Cash Flow Statement. It captures the financial performance (Operating Statement), components of the net financial position (Balance Sheet), changes in the Government's ownership position (Statement of Changes in Equity) and information on the cash position and the source and purpose of cash flows (Cash Flow Statement).

Following on the next page is an example of the new Statement of Changes in Equity.

