APPENDIX A: CONCEPTS UNDERLYING 2013-14 BUDGET AND FORWARD ESTIMATES

There are a number of important concepts used in the preparation of the 2013-14 Budget Papers. This appendix provides detail to help understand these concepts.

Administrative Arrangements

The 2013-14 Budget reflects a number of key administrative changes that have occurred since the release of the last Budget.

Ministerial Portfolios

Information presented in the 2013-14 Budget Papers reflect the current composition of the *Administrative Arrangements 2012 (No 2)*, which came into effect on 10 November 2012. The current ministerial responsibilities are summarised below:

Ms Katy Gallagher MLA

- Chief Minister
- Minister for Health
- Minister for Regional Development
- Minister for Higher Education

Mr Andrew Barr MLA

- Deputy Chief Minister
- Treasurer
- Minister for Economic Development
- Minister for Sport and Recreation
- Minister for Tourism and Events
- Minister for Community Services

Mr Simon Corbell MLA

- Attorney-General
- Minister for Police and Emergency Services
- Minister for Workplace Safety and Industrial Relations
- Minister for Environment and Sustainable Development

Ms Joy Burch MLA

- Minister for Education and Training
- Minister for Disability, Children and Young People
- Minister for Arts
- Minister for Women
- Minister for Multicultural Affairs
- Minister for Racing and Gaming

Mr Shane Rattenbury MLA

- Minister for Territory and Municipal Services
- Minister for Corrections
- Minister for Housing
- Minister for Aboriginal and Torres Strait Islander Affairs
- Minister for Ageing

New Administrative Arrangements

Shared Services

Even though the Commerce and Works Directorate which incorporates the Shared Services functions was created on 10 November 2012 following the *Administrative Arrangements 2012 (No 2)*, Shared Services Centre continued as a separate reporting entity in 2012-13 in accordance with the *Financial Management (Directorates) Guidelines 2012*. Under the newly issued *Financial Management (Directorates) Guidelines 2013,* Shared Services is no longer required to be a separate reporting entity from 1 July 2013. As a result, Shared Services Centre will be reported as part of the Commerce and Works Directorate from 1 July 2013.

Functional Changes

As part of the proposed Administrative Arrangements, one functional responsibility change will occur, as summarised below:

1. The Capital Metro function will be transferred from the Economic Development Directorate to form the Capital Metro Agency.

Supplementary Appropriation 2012-13

The *Appropriation Bill 2012-13 (No 2)* (the Act) was presented in the Legislative Assembly on 14 February 2013 and passed on 9 April 2013. The Act provided additional appropriations totalling $231.058 million to agencies to facilitate the on-passing of Commonwealth health grants, to meet forecast sales within the land rent scheme and to rollover unspent former Treasury Directorate 2011-12 appropriation. The 2013-14 Budget Papers have been prepared on the basis of the inclusion of items noted in the Act.

Presentation of Financial Statements/Budget Papers

There have been no presentation changes to financial statements or the Budget Papers since the previous Budget.

The 2012-13 Estimated Outcome

The 2012-13 estimated outcome figures have been updated to include the effect of the 2011-12 audited outcome, the Act and other impacts identified during the preparation of the Budget.

Sector Split

The Government Finance Statistics (GFS) sector classification is used for the presentation of consolidated financial statements. Consolidated statements are provided for the General Government Sector (GGS) and Public Trading Enterprise (PTE) Sector. A total Territory view of the 2013-14 Budget is also included. Definitions of these sectors can be found in the Glossary.

Accrual Concepts

All budget estimates are calculated on an accrual basis. Amounts have been prepared in line with the principles of the standards issued by the Australian Accounting Standards Board (AASB) which applied from 1 January 2012.

In order to match transactions to a particular period, accruals are used to account for differences in timing between business or operational transactions and the associated cash flow. It is the inclusion of these non-cash items that differentiates the Operating Statement from the Cash Flow Statement.

The difference between income (in the Operating Statement) and cash receipts (in the Cash Flow Statement) is explained by the inclusion of income amounts which have been earned but not yet received. Further, accrued income excludes any amounts that have been collected in the current year but were earned in the previous year. Income includes non-cash transactions that have an impact on the Balance Sheet, such as an increase in the value of an asset following a revaluation.

Accrued expenses (in the Operating Statement) differ from cash payments (in the Cash Flow Statement) due to the inclusion of items such as employee benefits, which are recognised as expenses in the current period, but represent an obligation to pay cash in a future period. Another difference arises through the inclusion (in accrued expenses) of purchases made, or obligations incurred, where the associated bill/invoice will not be paid during the current year. Further, accrued expenses exclude payments which relate to purchases or obligations incurred in the previous year, although the cash payments may be paid in the current year. Similar to income, expenses include non-cash transactions, such as revaluations, and the recognition of depreciation against certain assets.

Controlled/Territorial Separation of Disclosure

A key feature of the accrual model used by the Territory is the separation of Controlled activities from Territorial activities. Each agency's budget distinguishes between these in its financial statement.

Controlled activities are those related to the delivery of agreed outputs of directorates and other agencies for which there is agreed funding by the appropriation type 'payments for outputs'. By separately reporting on these items from other activities, the performance of the directorate/agency in delivering the agreed outputs can be seen.

Territorial activities are the other activities of directorates, which are administered on behalf of the Territory, including administering Commonwealth Government grants and the collection of taxes, fees and fines for the Territory.

Controlled and Territorial activities are separately appropriated.

The split of Controlled and Territorial activities allows for accountability and performance analysis to be more accurate and meaningful. Territorial payments and revenues are typically determined by Government, and payment or assessment processing is handled by the relevant directorate. The amounts of payments or revenues may vary significantly without reflecting on the operational performance of the directorate.

The separate recording of these Territorial items allows readers to focus on the expenses, revenues, assets and liabilities involved in the delivery of outputs to establish the effectiveness of directorates' performance in the delivery of outcomes. Directors-General have a direct role in the level of resources applied to, and costs incurred in, delivering outputs. Similarly, they have greater control over the level of charges applying to consumers of the outputs.

Bank Accounts

Agencies operate their own bank accounts and are paid on a progressive basis in accordance with the delivery of their outputs. By contrast, Revenue collected on Behalf of the Territory (RBT) by agencies is transferred to the Territory Banking Account on a regular basis.

The 2013-14 Budget was developed using the same arrangements applying to cash management practices as in previous budgets. A key aspect of the arrangements is the requirement for directorates to return cash surpluses back to the Government. As directorates no longer hold surplus cash, directorates will generally not have a need to invest surplus funds with the Territory Banking Account. The changed cash management arrangements do not impact the cash operations of Territory authorities or Territory-owned Corporations (TOCs).

In relation to the Local Hospital Network Directorate (LHN), under the *National Health Reform Agreement* (NHRA), the Commonwealth Government will contribute 45 per cent of growth funding for public hospital expenditure for all States and Territories based on an Activity Based Funding (ABF) mechanism. Consistent with the NHRA, the ACT LHN will maintain two bank accounts to receive funding, a State Pool Account (SPA) held at the Reserve Bank of Australia (RBA) and a State Managed Fund Account (SMFA).

The ACT LHN will "purchase" services from the four public hospitals and manage the SPA and the SMFA to collect payments from the Commonwealth, the ACT and other jurisdictions. The ACT LHN will control both bank accounts to minimise the number of funding transfers between the ACT LHN and the Health Directorate.

Central Finances of the Government

The central finances of the Government are managed through a separate whole of government bank account, named the 'Territory Banking Account', which is administered and reported as a Territorial activity.

Outputs Basis of Budget Management

There is an explicit linkage between the outcomes desired by Government and the outputs chosen to achieve those outcomes at an agreed level of funding. The budget structure and monitoring that occurs throughout the financial year targets the delivery of outputs against an agreed level of funding.

Appropriation Types

Section 8 of the *Financial Management Act 1996* establishes three types of appropriation.

Payments for Outputs

Payment for Outputs is shown as revenue to an agency. It represents the level of funding agreed to be paid by Government for the delivery of a range of goods and services defined as outputs in the Budget Papers.

The full cost of providing a service may be financed partly by sales to third parties defined as 'user charge' revenues. Generally, where a service is provided to other agencies, those agencies show the receipt of that service as an input cost to their own output(s) and pay for that service with funds generated from their 'payment for outputs' or 'user charge' revenues.

Capital Injections

Capital injections are used to increase the capital base of an agency, and may be used to:

- purchase assets;
- develop assets;
- augment assets; or
- reduce liabilities.

Capital injections are issued as either equity injections or repayable loans. The latter are effectively a working capital advance which must be repaid. The Budget Papers must disclose any repayable capital injections and the conditions under which the injection is given (for example repayment timeframes, interest rate, principal and interest repayments). All repayable injections are reflected in the relevant agency as a liability, while the Territory Banking Account discloses them as a loans receivable.

Expenses on Behalf of the Territory (EBT)

This category represents Territorial (administered) expenses, which the Government appropriates for payment of grants, subsidies and transfer payments.

Capital Works

In terms of budgeting, the capital works or asset acquisition program can be funded in a number of ways. Initially, an agency seeking to increase its physical asset base should examine its internal funding capability, then alternative funding sources such as debt, capital injection or public private partnerships. Capital works activities may also include the planning of future capital works, such as feasibility studies, which may be funded through payments for output.

Capital works proposals are examined for their projected contribution to the Government's desired outcomes and to the delivery of outputs. A whole of life projection is required for the impact on the directorate operating results and balance sheet position.

Format of the Territory's Budget Financial Statements

The Territory's financial interest is reflected in the consolidated budget and consolidated financial statements of all directorates, Territory authorities and TOCs.

Normal accrual accounting principles apply to the consolidation of the individual agency budgets into the Total Territory statements. Internal trading transactions between components of the whole of Territory are eliminated during the consolidation process, as are the internal trading transactions between trading elements within a directorate or with another entity within the ACT Government.

Eliminations of internal trading are necessary in order to accurately reflect the interaction between each budget or reporting entity and other external entities. Failure to eliminate these transactions results in double counting, resulting in an inflated level of activity of the entity in relation to other external entities. On the balance sheet, failure to eliminate internal trading will result in an incorrect level of payables, receivables, investments and borrowings. This includes, for instance, the level of debt owed by the Territory. Internal debt created by one agency lending to another within the Territory is offset by an internal receivable and has no impact on total Territory debt.

Total Territory consolidation is split between the GGS and PTEs. The appropriate eliminations are also made in reporting these sectors, firstly within the sector (that is intra-GGS and intra-PTE eliminations) and secondly between the two sectors (that is between the GGS and PTE sectors).

Financial Statement Presentation

The format of the Territory's financial statements is different from agency financial statements. The Territory's whole of government format aligns financial reporting with the GFS format used in the Uniform Presentation Framework (UPF). This format is considered to be a more suitable presentation for whole of government financial reporting, more informative for readers and more readily facilitates comparison with other jurisdictions.

The key differences between whole of government financial statements and agency statements include:

- The whole of government Operating Statement classifies transactions as either revenue, expenses or other economic flows.
  - revenue and expenses result from mutually agreed transactions between two parties.
  - other Economic Flows result from changes in the volume or value of assets or liabilities resulting from revaluations, net gains on the sale of assets or liabilities and non-mutual bad debts written off.
- The UPF Net Operating Balance is a GFS concept that is calculated as the difference between revenue and expenses resulting from transactions. This measure excludes asset sales and investment gains.

- The Headline Net Operating Balance is the UPF Net Operating Balance plus expected long term superannuation investment earnings. The measure takes into account the full impact of the long term expected earnings on assets dedicated to fund and support the accruing costs associated with servicing the Government's long term defined superannuation obligations. Superannuation expenses will be paid over the next forty to sixty years. The Government's superannuation investments held in the Superannuation Provision Account (SPA) are to fund these future cash payments. The inclusion of the full amount of the long term investment earnings is necessary to provide an accurate assessment of the longer term sustainability of the budget position.
- The Operating Result recognises the change in a government's net worth as a result of both transactions and other economic flows, excluding those reflected directly in equity.
  - for the Territory, the key differences between the UPF Net Operating Balance and the Operating Result are significant land sales, net gains on the sale of non financial assets and net gains on financial assets held to fund future superannuation payments.
- Total Comprehensive Income serves as a measure of the total change in value of the agency during a financial year arising from revenue, expenses and both realised and unrealised movements in the valuation of assets and liabilities. Total Comprehensive Income is the equivalent to the increase or decrease in Net Assets during the financial year.
- The Net Lending/(Borrowing) position represents the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.
- The whole of government Balance Sheet is presented on a liquidity basis rather than the more traditional current/non current classifications.

Agency Budget Statements

The agency budget statements contained in Budget Paper No. 4 provide details of each agency's purpose and priorities, performance indicators, financial statements and changes to appropriation for the current and upcoming financial years and the forward estimates period (each of the following three years after the upcoming financial year).

Agency chapters provide detail on what the agency intends to achieve, how performance will be measured and the cost of providing services to the community. Financial statements and accompanying notes are included at the back of each agency's chapter. More specifically readers are provided with the following agency information:

- Purpose;
- Priorities for the Budget Year;
- Business and Corporate Strategies;
- Estimated Employment Level;
- Strategic Objectives and Indicators;
- Output Classes;
- Accountability Indicators;
- Changes to Appropriation;
- Capital Works Program for the Budget year and forward estimate period; and
- Financial Statements by Agency (Controlled/Territorial) and Output (including detailed notes to the statements).

Purpose

Provides a brief overview of an agency's key service delivery responsibilities, intentions for the coming year and long-term goals for the agency.

Priorities for the Budget Year

Provides a brief overview of key strategies and operational priorities for the upcoming financial year for the agency. It takes into account any new initiatives and capital investment.

Business and Corporate Strategies

Outlines the key strategies the agency intends to employ to fulfil its purpose, achieve its objectives, priorities and efficiency measures, and manage business and financial risks.

Estimated Employment Levels

Provides agency projected staffing numbers with the prior year actual numbers, the current year's budgeted and estimated numbers and the budget numbers for the upcoming financial year. Employment levels are represented in terms of full-time equivalent numbers which is a measure of labour resources employed in the delivery of services to the community.

Strategic Objectives and Indicators

Performance indicators are aimed at measuring the Government's performance against longer-term strategic objectives and outcomes which impact upon the community. Although agencies hold some accountability for performance, external factors may influence results. These indicators are not subject to audit. Provided below are two examples of strategic indicators for the Community Services Directorate and Justice and Community Safety Directorate.

Example 1

Community Services Directorate
Strategic Objective 1:
Provide Services to Strengthen the Capacity of People with Disabilities, their Families and Carers to Maximise Control over their Lives

Strategic Indicator 1: Number of Service Users by Service Type Accessed

	Budget Year Estimate No.	Fwd Year 1 Estimate No.	Fwd Year 2 Estimate No.	Fwd Year 3 Estimate No.
Number of Service Users by Service Type Accessed	4,260	4,300	4,340	4,380

Strategic Objective	Strategic Indicator	
This is the outcome desired i.e. strategic outcome.	Indicator of objective.	Measure set to reach strategic outcome.

Example 2

Justice and Community Safety Directorate
Strategic Objective 1:
Accessible Justice System
The ACT Justice System Seeks to Ensure Fairness to All Persons Involved. A Fair Justice System is Accessible, Deals With Matters in a Reasonably Expeditious Manner and is One in Which All Persons Involved Conduct Themselves in a Way That Promotes, Protects and Respects Rights

Strategic Indicator 1: Justice System Completion Rates

Success	Strategic Indicator	Prior Year Target	Prior Year Est. Outcome	Budget Year Target
Timely completion of cases	Average number of days to finalise civil cases from time of lodgement.	.		
	• Magistrates Court;	105	80	80
	• Supreme Court;	550	550	550
	% change and number of cases in the backlog of civil cases.			
	• Magistrates Court >12 mths;	-2.7% (107 cases)	6.5% (100 cases)	-15.9% (90 cases)
	• Supreme Court >24 mths	-4.8% (455 cases)	-32% (310 cases)	-38% (280 cases)

Strategic Objective	Strategic Indicator	
This is the outcome desired i.e. strategic outcome.	Indicator of objective.	Measure set to reach strategic outcome.

Outputs and Output Classes

Outputs are defined as identifiable goods produced or services provided by, or on behalf of the Government, by an agency for the benefit of the community. Outputs allow the Government to financially measure the cost to provide goods produced and/or services to the community in order to achieve policy objectives or outcomes. Outputs are grouped together into similar categories called output classes.

This section of the chapter identifies the outputs provided by the agency and the cost of the outputs compared to the appropriations received by the agency in relation to the Output Class. Example 3 provides an example of an Output Class by agency. It should be noted that an agency may have more than one Output Class.

Example 3

Output Class

	Total Cost		Government Payment for Outputs	
	Prior Year Est. Outcome $'000	**Budget Year $'000**	**Prior Year Est. Outcome $'000**	**Budget Year $'000**
Output Class 3: Vocational Education and Training	37,705	40,463	36,919	39,629
Output 3.1: Planning and Coordination of Vocational Education and Training Services	37,705	40,463	36,919	39,629

This is the name of an Output Class within the agency portfolio.

This is the Output provided by the agency within the Output Class.

This is the estimate of the final outcome at the end of the current financial year.

This item reflects the cost of Outputs within an Output Class. (This amount can be greater than the Government payment where the agency provides some of its own funding or the Output is provided on a full or part cost recovery basis).

This item reflects the amount of funding for the Output Class sourced from the Appropriation Bill.

Output Descriptions

Output Descriptions are provided in the Budget Papers to provide readers with more information in relation to the outputs and services provided by the agency. An example is provided below for the post secondary education responsibilities of the Education and Training Directorate:

The Directorate is responsible and accountable for the provision of strategic advice and management of Vocational Education and Training (VET) and higher education in the ACT. This includes monitoring and auditing the provision of publicly funded vocational education and monitoring non self-accrediting higher education providers.

Accountability Indicators

Accountability indicators directly measure an agency's effectiveness and efficiency in delivering its outputs, and may be a measure of outcome, outputs or inputs. Accountability indicators are provided for each output, are measurable and are subject to an audit review. Targets are generally provided for the budget year. Accountability indicators compare the prior year target and estimated outcome. Example 4 provides an example of an accountability indicator.

Example 4

Key accountability indicators.

Accountability Indicators

	Prior Year Targets	Prior Year Est. Outcome	Budget Targets
Output Class 3: Vocational Education and Training			
Output 3.1: Planning and Coordination of Vocational Education and Training Services			
a. Total number of hours under programs available for competitive purchase.	1,800,000	1,800,000	1,800,000
b. Total reported number of training commencements under available programs.	6,800	6,800	6,800
c. Total number of enrolments of existing workers under additional programs.	n/a	3,876	2,405
d. Percentage of apprentices satisfied with their training under Australian Apprenticeships.	80%	85.2%	80%

Changes to Appropriations

Appropriation is the maximum amount of public money authorised by the ACT Legislative Assembly under a legislative authority for transfer from the Territory Banking Account to a directorate, Territory authority or a TOC.

This part of the chapter shows the changes to the appropriation provided in the prior year Budget to determine the current Budget year appropriation. The changes include Supplementary Appropriations, new policy adjustments, and parameter and technical variations. The changes to appropriations are shown for both Controlled and Territorial appropriations for each agency, for each appropriation type.

Government Payment for Outputs (GPO): The appropriated revenue that agencies receive to produce outputs on behalf of the Government.

Payments for Expenses on Behalf of the Territory (EBT): Territorial (administered) revenues, which the Government appropriates to agencies for the payment of grants, subsidies and transfer payments (refer Territorial).

Capital Injections: The means by which the Government injects funds into an agency for purposes such as the purchase or development of assets, the payment of debt, or the increase of an agency's working capital. On occasion capital injections may be repayable, in which case the terms of these loans are outlined in the Budget Papers.

Capital Works Program

Identifies the major capital works projects which will be undertaken by the agency over the Budget and forward estimates. The program includes new capital projects, capital upgrades and works in progress.

Agency Financial Statements

Financial information presented in the Budget Papers for each agency is prepared in accordance with the principles contained in Australian Accounting Standards. Agency statements include forward estimate information to provide readers with a longer term focus on the agency's financial performance and financial position.

Controlled and Territorial (administered) activities are presented in separate schedules. Each agency provides (where appropriate) an:

- Operating Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Statement of Income and Expenses on Behalf of the Territory;
- Statement of Assets and Liabilities on Behalf of the Territory;
- Statement of Changes in Equity on Behalf of the Territory;
- Budgeted Statement of Cash Flows on Behalf of the Territory; and
- Notes to the Budget Statements.

When an agency has more than one Output Class, the agency will present an Operating Statement for each Output Class, along with Notes to support each Output Class Statement.

The Notes to the Budget Statements provide explanations for material variations between the estimated outcome and the original budget. Variation explanations are provided for all statements with the exception of the Cash Flow Statement and the Budgeted Statement of Cash Flows on Behalf of the Territory.

Explanations and illustrative examples of the financial statements follow.

Operating Statement

The Operating Statement presents information on expenses and revenue, and the operating result of the agency's activities in a financial year.

The items appearing on this statement are only controlled items. Controlled items are those associated with the delivery of outputs and are items over which the agency has discretion, responsibility and authority.

The Operating Result is the difference between income and expenses and is the operating profit or loss for the period being reported.

The projected Operating Result is to be interpreted as follows:

- Some agencies budget for an operating deficit, while others project a surplus or break-even position. A deficit result is mostly attributable to the impact of depreciation resulting from the process used for funding capital works. Funding of capital works is generally centrally managed within the Territory. Funding for new capital works is generally provided by the Government to agencies as a capital injection in the year of acquisition of the new assets.
- Depreciation is the accounting process for allocating the cost of asset usage over the useful life of the assets. Generally, agencies are fully funded for the acquisition of assets at the time of acquiring the assets, thus further funding for depreciation is not provided. At the end of the useful life for assets, the Government will make decisions regarding the future asset needs of the agency and the Territory.
- As a result of agencies not receiving recurrent funding for depreciation, the operating result for some agencies will be a deficit. Consequently, each agency's actual performance must be assessed against its projected performance, not against whether it achieved a breakeven or surplus result.

Total Comprehensive Income measures the total change in value of the directorate during a financial year arising from income, expenses and both realised and unrealised movements in the valuation of assets and liabilities. Total Comprehensive Income is the equivalent to the total increase or decrease in Net Assets during the financial year.

Example 5 provides an example of an agency Operating Statement.

Example 5

The variance is the percentage difference between the Estimated Outcome and the Budget.

Operating Statement

Prior Year Budget $'000		Prior Year Est. Outcome $'000	Budget Year $'000	Var %	Forward Year 1 Estimate $'000	Forward Year 2 Estimate $'000	Forward Year 3 Estimate $'000
	Income						
	Revenue						
	Government Payment for Outputs		465,771				
	User Charges - Non ACT Government		16,653				
	User Charges - ACT Government		120				
	Grants from the Commonwealth		0				
	Interest		1,458				
	Other Revenue		18,202				
	Resources Received Free of Charge		349				
	Total Revenue		**502,553**				
	Gains						
	Other Gains		0				
	Total Gains		**0**				
	Total Income		**502,553**				
	Expenses						
	Employee Expenses		315,846				
	Superannuation Expenses		50,214				
	Supplies and Services		52,924				
	Depreciation and Amortisation		45,249				
	Borrowing Costs		99				
	Cost of Goods Sold		0				
	Grants and Purchased Services		28,307				
	Other Expenses		54,245				
	Total Ordinary Expenses		**546,884**				
	Operating Result		**-44,331**				
	Items that will not be reclassified subsequently to profit or loss						
	Inc/Dec in Asset Revaluation Reserve Surpluses		10				
	Total Other Comprehensive Income		10				
	Total Comprehensive Income		**-44,321**				

This is the total amount appropriated to the agency to deliver services and aligns with the Appropriation Bill.

These items reflect other revenue sources collected by or allocated to an agency.

Gains represent items other than revenue that meet the definition of income and may or may not arise in the course of the ordinary activities of an agency. Gains may arise, for example, on disposal of non current assets.

These items reflect, on an accrual basis, the cost of all services delivered by an agency within a fiscal year.

This item reflects the difference between operating revenue, expenses and gains.

This item reflects the revaluation of Property, Plant and Equipment.

This item reflects the total increase or decrease during the financial year.

Balance Sheet

The Balance Sheet is a financial snapshot of an agency's financial position taken at the end of the financial year (30 June). The items appearing on this statement summarise the balances of controlled assets and liabilities estimated at the end of the financial year of the agency. Trust moneys and Territorial (administered) items are excluded.

The Balance Sheet is broken up between current and non current assets and liabilities.

Current Assets are cash and other assets that are expected to be converted to cash within 12 months, such as receivables and inventories. Non current assets are usually physical in nature with longer-term useful lives, such as land, buildings and equipment. These are utilised by agencies in delivering services to the community.

Current Liabilities are usually obligations that would be met within 12 months, such as payables (creditors), employees' annual leave entitlements and interest expenses due but not paid. Non current liabilities are longer term obligations, such as employees' long service leave entitlements, borrowings (debt) and superannuation.

Equity represents the difference between total assets and total liabilities. Equity is also known as net assets or net worth. Therefore, this statement gives an indication of the agency's financial strength and has a direct impact on the net worth financial target of the Government.

Example 6 provides an example of an agency Balance Sheet.

Example 6

Balance Sheet

Prior Year Budget $'000		Prior Year Est.Outcome $'000	Planned as at end of Budget Year $'000	Var %	Planned as at end of Forward Year 1 $'000	Planned as at end of Forward Year 2 $'000	Planned as at end of Forward Year 3 $'000
	Current Assets						
	Cash and Cash Equivalents		29,760				
	Receivables		3,353				
	Other		2,608				
	Total Current Assets		**35,721**				
	Non Current Assets						
	Investments						
	Property, Plant and Equipment		1,619,955				
	Intangibles		0				
	Capital Works in Progress		10,375				
	Total Non Current Assets		**1,630,330**				
	TOTAL ASSETS		**1,666,051**				
	Current Liabilities						
	Payables		7,409				
	Finance Leases		619				
	Employee Benefits		76,745				
	Other		3,963				
	Total Current Liabilities		**88,736**				
	Non Current Liabilities						
	Finance Leases		300				
	Employee Benefits		4,855				
	Total Non Current Liabilities		**5,155**				
	TOTAL LIABILITIES		**93,891**				
	NET ASSETS		**1,572,160**				
	REPRESENTED BY FUNDS EMPLOYED						
	Accumulated Funds		685,225				
	Reserves		886,935				
	TOTAL FUNDS EMPLOYED		**1,572,160**				

The variance is the percentage difference between the Estimated Outcome and the Budget.

Assets that are either cash or are likely to be converted to cash within 12 months.

Assets that do not fall within the definition of current assets.

These items includes amounts owing by the agency to other parties including suppliers and employees.

This item represents the difference between the agency's Total Assets and Total Liabilities. Net Assets represent the agency's overall financial position at a point in time.

Reserves are recognised for the increase on revaluation of non current assets or other intended use of funds.

This is an agency's contribution to the Net Worth of the Territory.

Statement of Changes in Equity

The items included in the Statement of Changes in Equity are only associated with the delivery of outputs by the agency and are therefore controlled by the agency.

The Statement of Changes in Equity shows the changes in equity between two financial years reflecting the increase or decrease in its net assets during the year. The total overall change in equity during a financial year represents the total amount of income and expenses, including gains and losses generated by an agency's activities during the year. Examples of changes in equity include movements in capital injections and distribution, asset revaluations and increases or decreases in net assets due to an administrative restructure.

Example 7 provides an example of an agency Statement of Changes in Equity.

Example 7

Statement of Changes in Equity

Prior Year Budget		Prior Year Est.Outcome	Planned as at end of Budget Year	Var	Planned as at end of Forward Year 1	Planned as at end of Forward Year 2	Planned as at end of Forward Year 3
$'000		$'000	$'000	%	$'000	$'000	$'000
	Opening Equity						
	Opening Accumulated Funds	716,128					
	Opening Asset Revaluation Reserve	883,725					
	Opening Other Reserve	3,200					
	Opening Balance	**1,603,053**					
	Accumulated Funds						
	Operating Result for the Period	-44,331					
	Total Accumulated Funds	**-44,331**					
	Reserves						
	Inc/Dec in Asset Revaluation Reserve Surpluses	10					
	Comprehensive Result	**-44,321**					
	Transactions Involving Equity						
	Capital Injections	14,249					
	Capital Distributions	-821					
	Total of Transactions Involving Equity	**13,428**					
	Closing Accumulated Funds	685,225					
	Closing Asset Revaluation Reserve	883,735					
	Closing Other Reserve	3,200					
	Closing Balance	**1,572,160**					

Obtained from the Operating Statement.

Indicates a valuation performed on Property, Plant and Equipment to determine its fair value.

Represents the capital the Government has provided to an agency, less any capital distributions to Government. The capital injection must be used in accordance with what was specified in the Appropriation Bill.

Closing balance matches the totals in the Balance Sheet for Net Assets and Total Funds Employed.

Cash Flow Statement

The items appearing on this statement are controlled items. Trust monies and Territorial (administered) items are excluded.

The Cash Flow Statement is concerned with the flow of cash in and cash out of an agency for the financial year. The Cash Flow Statement captures all cash receipts and cash payments that flow through the Operating Statement and Balance Sheet. Non cash transactions are not captured in the Cash Flow Statement, for example, asset revaluations.

The Cash Flow Statement is partitioned into three segments, namely: cash flow resulting from operating activities, cash flow resulting from investing activities, and cash flow resulting from financing activities. Each is explained, in turn, below.

Operating activities are those which relate to the core business of the agency; for example the distribution of grants and the provision of goods and services to the community.

Investing activities are those that relate to the management of assets, including the sale and purchase of assets such as land, buildings, plant and equipment, management of investments and customer loans. Any profit or loss on the disposal of an asset is also recorded in the Operating Statement.

Financing activities relate to changes in the size and composition of the contributed capital (accumulated funds) and borrowings of the agency. It includes items such as capital injections from Government, distributions to Government and repayment of finance leases/borrowings.

The net increase or decrease in cash held is simply the sum of cash receipts less cash payments for the period. Total cash at the beginning and end of the period is also shown, which matches the total of cash assets shown in the Balance Sheet.

Example 8 provides an example of an agency Cash Flow Statement.

Example 8

Cash Flow Statement

The variance is the percentage difference between the Estimated Outcome and the Budget.

Prior Year Budget $'000		Prior Year Est. Outcome $'000	Budget Year $'000	Var %	Forward Year 1 Estimate $'000	Forward Year 2 Estimate $'000	Forward Year 3 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
	Cash from Government for Outputs		465,771				
	User Chargers		16,873				
	Interest Received		1,458				
	Other Revenue		51,916				
	Operating Receipts		**536,018**				
	Payments						
	Related to Employees		310,983				
	Related to Superannuation		50,214				
	Related to Supplies and Services		52,353				
	Borrowing Costs		96				
	Grants and Purchased Services		28,861				
	Other		87,727				
	Operating Payments		**530,234**				
	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES		**5,784**				
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Payments						
	Purchase of Property, Plant and Equipment and Capital Works		218,236				
	Investing Payments		**218,236**				
	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		**-218,236**				
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
	Capital Injection from Government		214,821				
	Financing Receipts		**214,821**				
	Payments						
	Distributions to Government		688				
	Repayment of Finance Lease		1,769				
	Financing Payments		**2,457**				
	NET CASH INFLOW/OUTFLOW FROM FINANCING ACTIVITIES		**212,364**				
	NET INCREASE/ (DECREASE) IN CASH HELD		**-88**				
	CASH AT THE BEGINNING OF THE REPORTING PERIOD		**29,848**				
	CASH AT THE END OF THE REPORTING PERIOD		**29,760**				

This figure aligns with the Appropriation Bill.

Operating activities are the principle revenue-producing activities of an agency and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets, and other investments not included in cash equivalents.

This figure aligns with the Appropriation Bill.

Financing activities are activities that relate to changes in the size and composition of the contributed capital (accumulated funds) and borrowings of the agency.

Net Increase/(Decrease) in Cash Held is the sum of net cash flows from all operating, investing and financing activities. This measure is consistent with the movement of cash in the GGS Balance.

Statement of Income and Expenses on Behalf of the Territory

Expenses on this statement are those which are administered by an agency on behalf of the Territory, and over which an agency has no discretion in applying to an alternate use.

Income on this statement represents taxes, fees and fines that are collected on behalf of the Territory and transferred to the Territory Banking Account for redistribution across Government. The agency has no discretion over the use of Territorial income collected.

Payments for expenses on behalf of the Territory is appropriation to fund Territorial expenditure such as grants. The income amounts transferred to the Territory Banking Account are shown as Transfer Expenses in this statement.

Example 9 provides an example of an agency Statement of Income and Expenses on Behalf of the Territory.

Example 9

Statement of Income and Expenses on Behalf of the Territory

Prior Year Budget $'000		Prior Year Est. Outcome $'000	Budget Year $'000	Var %	Forward Year 1 Estimate $'000	Forward Year 2 Estimate $'000	Forward Year 3 Estimate $'000
	Income						
	Revenue						
	Payment for Expenses on behalf of Territory		231,271				
	Taxes, Fees and Fines		195				
	Grants from the Commonwealth		0				
	Total Revenue		**231,466**				
	Gains						
	Total Gains		**0**				
	Total Income		**231,466**				
	Expenses						
	Grants and Purchased Services		231,271				
	Transfer Expenses		195				
	Total Ordinary Expenses		**231,466**				
	Operating Result		**0**				

Generally this figure agrees with the total Payment for Expenses on Behalf of Territory in the Appropriation Bill.

Statement of Assets and Liabilities on Behalf of the Territory

This statement discloses those assets and liabilities which are administered by the agency on behalf of the Territory and over which the agency has limited discretion regarding resource deployment or alternative use.

Example 10 provides an example of an agency Statement of Assets and Liabilities on Behalf of the Territory.

Example 10

Statement of Assets and Liabilities on Behalf of the Territory

Prior Year Budget		Prior Year Est. Outcome	Planned as at end of Budget Year	Var	Planned as at end of Forward Year 1	Planned as at end of Forward Year 2	Planned as at end of Forward Year 3
$'000		$'000	$'000	%	$'000	$'000	$'000
	Current Assets						
	Cash and Cash Equivalents		119				
	Receivables		204				
	Total Current Assets		**323**				
	TOTAL ASSETS		**323**				
	Current Liabilities						
	Payables		0				
	Interest Bearing Liabilities		323				
	Total Current Liabilities		**323**				
	TOTAL LIABILITIES		**323**				
	NET ASSETS		**0**				
	REPRESENTED BY FUNDS EMPLOYED						
	TOTAL FUNDS EMPLOYED		**0**				

This figure aligns with the cash at the end of the reporting period in the Budgeted Statement of Cash Flows on Behalf of the Territory.

Statement of Changes in Equity on Behalf of the Territory

The items included in the Statement of Changes in Equity on Behalf of the Territory are administered by the directorate on behalf of the Territory. The types of changes in equity include movements in capital injection and distribution, and increases or decreases in net assets due to administrative restructure.

Budgeted Statement of Cash Flows on Behalf of the Territory

This statement discloses those cash flows which are administered by an agency on behalf of the Territory. This reflects the total cash flows, including the transfers between the Territory Banking Account and the agency operated banking account, for Revenue on Behalf of the Territory (RBT) and Expenditure on Behalf of the Territory (EBT).

Example 11

Budgeted Statement of Cash Flows on Behalf of the Territory

Prior Year Budget $'000		Prior Year Est. Outcome $'000	Budget Year $'000	Var %	Forward Year 1 Estimate $'000	Forward Year 2 Estimate $'000	Forward Year 3 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
	Cash from Government for EBT		249,702				
	Taxes, Fees and Fines		195				
	Grants Received from the Commonwealth		0				
	Other Revenue		4,653				
	Operating Receipts		**254,550**				
	Payments						
	Grants and Purchased Services		249,702				
	Territory Receipts to Government		195				
	Related to Employees		0				
	Other		4,653				
	Operating Payments		**254,550**				
	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES		**0**				
	CASH FLOWS FROM INVESTING ACTIVITIES		**0**				
	Payments						
	Purchase of Property, Plant and Equipment and Capital Works		0				
	Investing Payments		**0**				
	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		**0**				
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
	Capital Injection from Government		0				
	Financing Receipts		0				
	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES		**0**				
	NET INCREASE/ (DECREASE) IN CASH HELD		**0**				
	CASH AT THE BEGINNING OF THE REPORTING PERIOD		**119**				
	CASH AT THE END OF THE REPORTING PERIOD		**119**				

Generally this figure aligns with the total Payment for Expenses on Behalf of Territory detailed in the Appropriation Bill.

This figure aligns with the Appropriation Bill.

This figure aligns with the amount Cash and Cash Equivalents in the Statement of Assets and Liabilities on Behalf of the Territory.

2012-13 Comparative Figures

The projected 2012-13 results for agencies are presented in the Budget Papers on the same basis as they will appear in the 2012-13 financial statements, which is consistent with Generally Accepted Accounting Principles (GAAP).

Subsections 27(2) and 63(2) of the *Financial Management Act 1996* require the preparation of financial statements for agencies to be in accordance with GAAP and for their presentation to facilitate comparison with the Budget presentation.

Where transfers of responsibilities have occurred during the 2012-13 financial year, the relevant agencies reflect the impact of those transfers from the time of transfer and these are explained in variation notes in the Budget Papers where they are material.

Rounding

Due to the rounding of decimal places, the sum of the figures in the financial tables presented in the Budget Papers may not balance.

Notations

The following notations are used in the variation column of the agency financial tables:

- \- nil;
- .. not zero, but rounds to zero; and
- # the calculated variation is greater than 999%.