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FOREWORD

The Reader's Guide (Guide) to the Budget Papers has been prepared to explain the structure and content of the Budget Papers, and assist readers understanding and interpreting information contained in the chapters, particularly Budget Paper No. 4.

The Annual Budget is the Government's key policy statement and financial plan for the upcoming financial year and forward estimates period for the Territory and its agencies.

The Budget Papers are presented on an accrual accounting basis. Accrual accounting discloses the full cost of providing government services and indicates the ability of government to deliver services into the future.

The Budget Papers are prepared to accompany the Appropriation Bill(s) being presented to the Legislative Assembly.

The Budget Papers are separated into the following four parts:

1. Budget Paper No. 1: Speech
2. Budget Paper No. 2: Budget Summary
3. Budget Paper No. 3: Budget Overview
4. Budget Paper No. 4: Budget Estimates

This Guide provides a brief explanation of all four budget papers and their intended purpose. As Budget Paper No. 4 provides financial information on each agency, the Guide will assist readers to understand the information being presented.

A glossary of terms frequently used in this document and other Budget Papers is available in the Appendix.

BASIS OF 2012-13 BUDGET AND FORWARD ESTIMATES

There are a number of important concepts used in the preparation of the 2012-13 Budget Papers. This appendix provides detail to help understand these concepts. Further information and definitions can be found in the Reader's Guide and Glossary.

Administrative Arrangements

The 2012-13 Budget reflects a number of key administrative changes that have occurred since the release of the last Budget.

Ministerial Portfolios

Information presented in the 2012-13 Budget Papers reflect the current composition of the *Administrative Arrangements 2011 (No. 3)*, which came into effect on 23 November 2011. The current ministerial responsibilities are summarised below:

Ms Katy Gallagher MLA

- Chief Minister
- Minister for Health
- Minister for Territory and Municipal Services

Mr Andrew Barr MLA

- Deputy Chief Minister
- Treasurer
- Minister for Economic Development
- Minister for Tourism, Sport and Recreation

Mr Simon Corbell MLA

- Attorney-General
- Minister for Police and Emergency Services
- Minister for the Environment and Sustainable Development

Ms Joy Burch MLA

- Minister for Community Services
- Minister for Ageing
- Minister for Multicultural Affairs
- Minister for Women
- Minister for the Arts
- Minister for Gaming and Racing

Dr Chris Bourke MLA

- Minister for Education and Training
- Minister for Industrial Relations
- Minister for Corrections
- Minister for Aboriginal and Torres Strait Islander Affairs

New Administrative Arrangements

ACT Local Hospital Network

The ACT Local Hospital Network is a new directorate set up to receive and distribute funding for public hospital services under the National Health Reform Agreement (NHRA), agreed by COAG in August 2011.

Under the agreement, Local Hospital Networks must maintain separate bank accounts, such that they are able to receive funding from the National Health Funding Pool independent of State treasuries or health departments. They will be audited as separate entities.

Accordingly, the ACT Local Hospital Network (ACT LHN) has been established as a separate directorate under the *Financial Management Act 1996* (the FMA). It will purchase public hospital services from the Canberra Hospital, Calvary Public Hospital, Clare Holland House and the Queen Elizabeth II Family Centre, will receive the Australian Government's financial contributions directly as well as funding from the ACT Government, block funding, training and research funding.

Under the FMA, the ACT LHN will have its own set of financial accounts and performance indicators, published in the Territory's budget papers and subject to audit. This will provide transparency and accountability in terms of the funding flows in relation to the ACT LHN.

ACT Compulsory Third-Party Insurance Regulator

The ACT Compulsory Third-Party Insurance Regulator (CTP regulator) has maintained separate financial arrangements from Treasury since it was set up as an authority under the FMA on 30 September 2011. Previously, the activities of the CTP regulator were reflected within the Treasury Directorate's reporting of the Investment and Economics Division.

Functional Changes

As part of the revised *Administrative Arrangements 2011 (No. 3)*, several functional responsibility changes also occurred, as summarised below:

1. The National Arboretum Canberra was transferred from the Economic Development Directorate to the Territory and Municipal Services Directorate; and
2. The ACT Ombudsman was transferred from the Justice and Community Safety Directorate to Chief Minister and Cabinet Directorate.

Supplementary Appropriation 2011-12

The *Appropriation Bill 2011-12 (No. 2)* (the Bill) was presented in the Legislative Assembly on 23 February 2012 and passed on 10 May 2012. The Bill provides additional appropriations totalling \$18.081 million to agencies to meet the cost of Enterprise Bargaining outcomes that were finalised after the delivery of the 2011-12 Budget. The 2012-13 Budget Papers have been prepared on the basis of the inclusion of items noted in the Bill.

Additionally, the supporting Budget Papers also detailed the authorisation of two additional capital works proposals, the Malkara School Hydrotherapy Pool Replacement and the upgrade of Ashley Drive in Tuggeranong.

Creation of the Office of the Legislative Assembly

From 1 July 2012, as a result of the *Legislative Assembly (Office of Legislative Assembly) Act 2012* (the Assembly Act), the Legislative Assembly Secretariat will be known as the Office of the Legislative Assembly (OLA). For reporting purposes, the 2012-13 Budget Papers reflect this new name.

Beyond the new naming conventions, the Assembly Act more clearly codifies the role, functions and independence of the OLA, giving effect to the separation of powers doctrine by clarifying the administrative and legislative framework of the OLA's duties in support of the legislature, and to enshrine in law its independence from executive government.

The Assembly Act creates a new Section 8(3) of the FMA which directs that there must be a separate Appropriation Bill for the OLA. This provision recognises that the legislature must be responsible for the passage of legislation to fund the OLA's operations in a separate, transparent appropriation that can be considered independently from the broader operations of executive government.

Presentation of Financial Statements/Budget Papers

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

The 2011-12 Estimated Outcome

The 2011-12 estimated outcome figures have been updated to include the effect of the 2010-11 audited outcome, the *Appropriation Bill 2011-12 (No. 2)* 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 consideration of the 2012-13 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 full compliance with standards issued by the Australian Accounting Standards Board (AASB) which applied from 1 January 2011, and are compliant with requirements of International Financial Reporting Standards.

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 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 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 2012-13 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 surplus to their needs back to 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 for Territory authorities or Territory-owned Corporations (TOCs).

In relation to the ACT LHN, under the 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 Territory-owned Corporations.

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 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.

The 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 Government Finance Statistics 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 result from transactions. This is a good indicator of the underlying reality of a government's financial performance. The measure recognises that operating budgets cannot be sustained indefinitely by asset sales and unexpected investment windfalls.
- The Headline Net Operating Balance is the UPF Net Operating Balance plus expected long term superannuation investment earnings. This measure is used to allow for appropriate comparison between the ACT and other jurisdictions and is necessary due to the differing structure for managing superannuation liabilities in the ACT compared to that of other jurisdictions.
- 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.
- The 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.

Format of Agency Financial Statements

As indicated, Controlled and Territorial activities are presented in separate schedules. Each agency has provided (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.

For each Output Class:

Where there is more than one Output Class for the agency the following is provided (where applicable):

- Operating Statement; and
- Notes to the Output Class Statements.

Key Accounting Treatments by Schedule

Operating Statement

The items appearing on this statement are only controlled items. Controlled items are those associated with the delivery of outputs and transacted through agency operating bank accounts.

- Interpreting the projected Operating Result:

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.

Balance Sheet

The items appearing on this statement are only those associated with the delivery of outputs by the agency and 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.

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 types of changes in equity include movements in capital injections and distributions, and increases or decreases in net assets due to administrative restructure.

Cash Flow Statement

The items appearing on this statement are only those associated with the delivery of outputs by the agency. Trust monies and Territorial (administered) items are excluded.

This statement provides a view of the operations of an agency from a cash flow perspective. Items appearing on this statement disclose the cash flow effect of the activities appearing on the other two main statements.

Statement of Income and Expenses on Behalf of the Territory

Expenses on this statement are those which are administered on behalf of the Territory and over which an agency has no discretion in applying them to an alternative use. Income such as taxes, fees and fines are required to be transferred to the Territory Banking Account. The directorate has no discretion over the use of territorial income collected.

Income includes amounts received from Government to pay for Territorial expenses. The income amounts transferred to the Territory Banking Account are shown as transfer expenses in this statement.

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.

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 not associated with the delivery of outputs by the directorate and instead 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 the agency on behalf of the Territory. This reflects the total cash flows, including the transfers between the Territory Banking Account and the agency operated bank account, for RBT and EBT.

2011-12 Comparative Figures

The projected 2011-12 results for agencies are presented in the Budget Papers on the same basis as they will appear in the 2011-12 financial statements, which is consistent with Generally Accepted Accounting Principles and the AASBs.

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 2011-12 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%.

OVERVIEW OF THE BUDGET PAPERS

Budget Paper No. 1: Speech

The Budget Speech is delivered by the Treasurer to the Legislative Assembly and highlights the Government's Budget and its strategies and key features for the Budget year.

Budget Paper No. 2: Budget Summary

Summarises the overall budgetary position together with information on the Government's expenditure and investment priorities in key service delivery areas. This Paper aims to be an easy to read document reflecting the key themes of the Budget.

Budget Paper 2 also includes a map of capital works projects showing the locations of proposed works across the Territory.

Budget Paper No. 3: Budget Overview

Summarises the Budget and forward estimates for the General Government Sector, the Public Trading Enterprises Sector and the Total Territory Government. Details of the projected Budget results are provided, as well as background information on the development of the Budget, including economic conditions and federal financial relations.

It also provides details of new policy and investment decisions made by the Government for the Budget year, including an overview of the Territory's Infrastructure Investment Program.

The paper specifically outlines the amount of money to be appropriated to each agency in accordance with the Appropriation Bill(s) (which are appended).

Budget Paper No. 4: Budget Estimates

Focuses on the financial position of each directorate and agency for the current financial year, next financial year and three forward estimates periods. This includes output classes (where relevant), descriptions of functions, roles and responsibilities, together with strategic and operational priorities. Full accrual financial statements and notes are provided for the general government sector as well as details of the Territory's public trading enterprises.

The Budget Papers are prepared in accordance with the standards issued by the Australian Accounting Standards Board which includes using accrual basis accounting. Accrual accounting presents the full cost of providing government services and indicates the ability of the Government to deliver sustainable services into the future.

BUDGET PAPER No. 3

Content of Budget Paper No. 3

Budget Paper No. 3 summarises the Budget and forward estimates for the General Government Sector, the Public Trading Enterprise Sector and the Total Territory Government. Details of the projected Budget results and financial position are provided as is background information on the development of the Budget.

Budget Paper No. 3 also contains information relating to the economic position and outlook of the Territory, fiscal projections, provides detail on the revenue and expense measures introduced in the Budget and developments in key areas of reform. The Paper also includes an overview of the Territory's Infrastructure Investment Program and details of the Capital Works Program for the Budget year.

The Paper contains the following chapters:

Fiscal Strategy and Budget Overview

Details the context within which the Budget has been formulated and provides an overview of the Budget. This chapter also summarises the Government's financial objectives and key measures and outlines how the Government proposes to meet those objectives in the context of the Budget.

More recently, this chapter also includes details of the Territory's Budget Plan which outlines the Government's strategies and objectives for returning the Budget to surplus (as required under the FMA), provides an update of achievements under the Plan, and details savings measures incorporated into the Budget.

Budget and Financial Projections

Provides details of the projected Budget and financial results. Summaries are provided on prior year Budget movements along with identifying the major risks faced by the Territory in the upcoming Budget year.

Revenue and Forward Estimates

Provides information on major revenue initiatives introduced in the Budget, the estimated revenue from those initiatives, along with estimated revenue from existing revenue sources for the General Government Sector.

Expenditure

Provides details of the general government expenditure for the upcoming financial year and factors impacting the expenditure levels. The chapter also includes a summary of expenditure initiatives introduced by the Government and details those initiatives for each agency.

Infrastructure Investment

Provides an overview of the Territory's Infrastructure Investment Program. This chapter provides details of new capital initiatives, including descriptions of individual initiatives and information on the Territory's asset base and land release program. It also includes information for capital works, information and communication technology, and plant and equipment projects.

Assets and Liabilities

Provides information on the material components of the Territory's Balance Sheet including investments, borrowings, gross debt and superannuation and the estimated outcome and forward estimates for each component.

Economic Overview

This chapter provides an overview of the expected economic conditions and the outlook for the Territory. Details are also provided in relation to federal financial relations and the estimated amounts the Territory can expect to receive from the Commonwealth Government in the Budget year and forward estimates period.

A Sustainable Territory

Details the initiatives the Government intends to introduce and maintain to reflect the Government's commitment to achieving a sustainable future for the community.

Appendices

The appendices include information in relation to the Budget Consultation Process, Statement of Sensitivity of Budget Estimates, Statement of Risk, Classification of ACT Entities, the Appropriation Bill(s), Financial Statements for each sector, Financial Statements under the Uniform Presentation Framework, the Loan Council Allocation and the Glossary and Abbreviations.

BUDGET PAPER NO. 4

Content of Budget Paper No. 4

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

The structure of Budget Paper No. 4 includes the objectives, deliverables, outputs and outcomes of individual agencies. 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, Budget Paper No. 4 provides readers with agency information on:

- Purpose;
- Priorities for the Year;
- Business and Corporate Strategies;
- Staffing – 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 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 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.

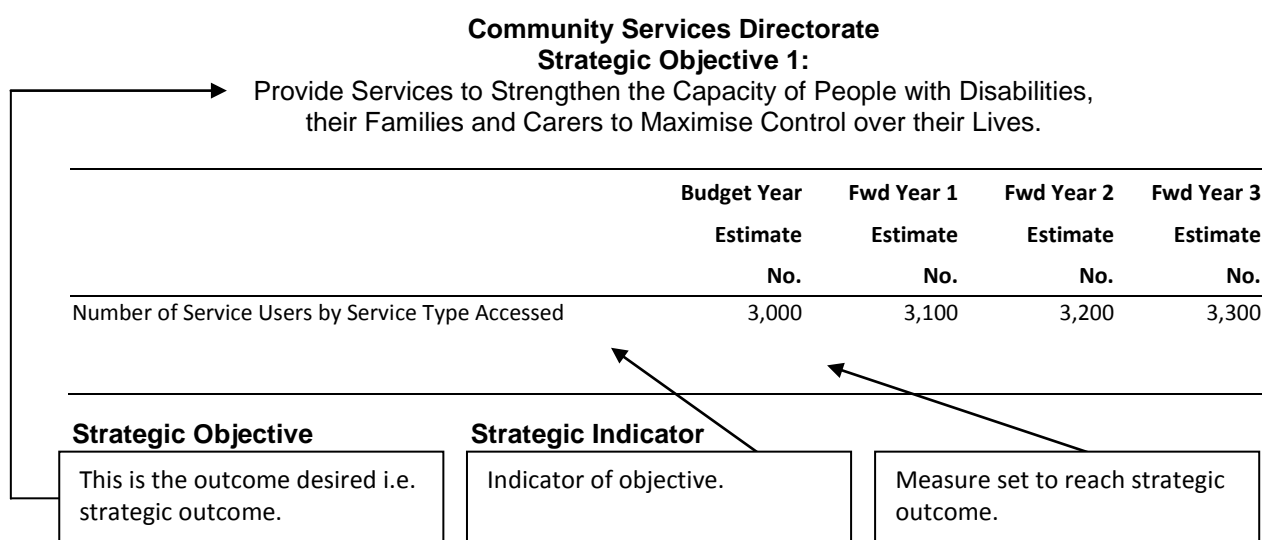
Estimated Employment Levels

Provides agency projected staffing numbers with the prior year budgeted numbers and estimated numbers. 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.

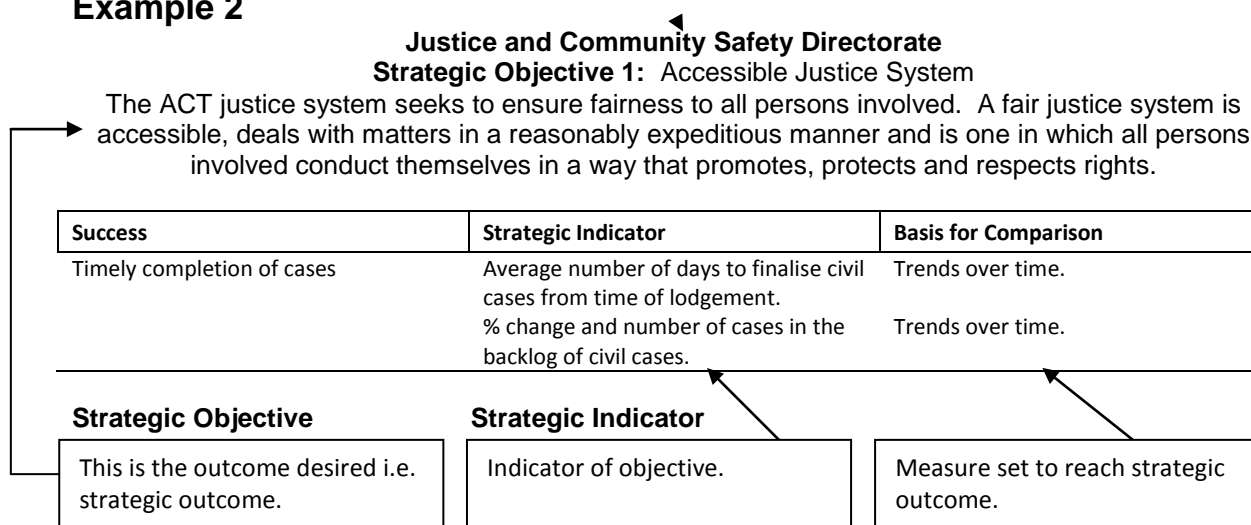
Strategic Objectives and Indicators

Performance indicators are aimed at measuring the Government's performance against longer-term strategic objectives and outcomes which impact upon the community. Agencies are accountable for performance against these indicators, although it is acknowledged that there may be external factors that can influence the achievement of the target. Strategic objectives and 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



Example 2



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 Class 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 also 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:

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 correlate with output classes. They are designed to help 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

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%

Key
accountability
indicators.

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 Territory-owned Corporation.

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, parameter and technical variations, and new policy adjustments. 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.

Illustrative examples and explanations 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.

Revenue

Revenue is generated by an agency from its operating activities and mainly includes Government Payment for Outputs which is the appropriation provided for the delivery of goods and services to the ACT Community and user charges. Revenues are recorded at the time they are earned rather than at the time at which the cash payment is received, therefore revenue amounts in the Operating Statement may differ from receipts from operating activities in the Cash Flow Statement.

Income

Income encompasses both revenue and gains.

Expenses

Expenses are costs incurred by an agency through its operating activities. Employee expenses, supplies and services, and grants are some of the common expenses incurred by agencies.

Operating Result

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

Total Comprehensive Income

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

Operating Statement

Prior Year Budget	Prior Year Est. Outcome	Budget Year	Var	Forward Year 1 Estimate	Forward Year 2 Estimate	Forward Year 3 Estimate
\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'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				
Inc/Dec in Asset Revaluation Reserve Surpluses		10				
Total Other Comprehensive Income		10				
Total Comprehensive Income		-44,321				

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

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.

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). It is broken up between current and non-current assets and liabilities and includes financial assets, non financial assets, and the extent of liabilities such as creditors, borrowings and superannuation. Assets reflect what is controlled by or owed to the agency, whilst liabilities reflect what the agency owes to others.

By providing information on the type of assets and liabilities, this statement gives an indication of the agency's financial strength.

The equity reported in the Balance Sheet has a direct impact on the net worth financial target of the Government.

Current Assets and Non-Current Assets

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 and Non-Current Liabilities

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

Equity represents the difference between total assets and total liabilities. Equity is also known as net assets or net worth.

Example 6

Balance Sheet

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		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.

This item 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 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 administrative restructure.

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 Accumulated Funds	716,128					
Opening Asset Revaluation	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 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.

Operating Activities

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

Investing Activities

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

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	Prior Year Est. Outcome	Budget Year	Var	Forward Year 1 Estimate	Forward Year 2 Estimate	Forward Year 3 Estimate
\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'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 BEGINNING OF 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 on behalf of the Territory accounted for in Revenue include amounts received from Government to pay for Territorial expenses. The income amounts transferred to the Territory Banking Account are shown as Transfer Expenses in this statement.

Example 9

Statement of Income and Expenses on Behalf of the Territory

Prior Year Budget	Prior Year Est. Outcome	Budget Year	Var	Forward Year 1 Estimate	Forward Year 2 Estimate	Forward Year 3 Estimate
\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000
Income						
Revenue						
		231,271				
		195				
		0				
		231,466				
Gains						
		0				
		231,466				
Expenses						
		231,271				
		195				
		231,466				
		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 an agency on behalf of the Territory and over which the agency has limited discretion regarding resource deployment or alternate use.

Example 10

Statement of Assets and Liabilities on Behalf of the Territory

Prior Year Budget	Prior Year Est. Outcome 2008-09	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.

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	Prior Year Est. Outcome	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						
		249,702				
		195				
		0				
		4,653				
		254,550				
Payments						
		249,702				
		195				
		0				
		4,653				
		254,550				
		0				
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
		0				
		0				
		0				
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
		0				
		0				
		0				
		0				
		0				
		119				
		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.

GLOSSARY & ABBREVIATIONS

Accountability Indicators

A measure of an agency's performance in providing each class of outputs. These indicators are subject to audit and may be measures of outcomes, outputs or inputs.

Accounting Policy

Specific accounting principles and practices applied in preparing and presenting financial statements.

Accrual Accounting

The recognition of income, expenses, assets, liabilities and equity when an economic transaction occurs giving rise to a movement of resources, irrespective of the timing of any related movement in cash.

Accrued Expenses

Expenses incurred during the accounting period that are yet to be paid at the end of the reporting period. The expenses are expected to be paid in the next accounting period.

Accrued Income

Income earned during the accounting period, but not yet received by the end of the reporting period. The income is expected to be received in the next accounting period.

Accumulated Amortisation

This is the total accumulation of amortisation expenses at a given point in time, generally charged for intangible and leased non-current assets (refer to Amortisation).

Accumulated Depreciation

This is the total accumulation of depreciation expenses at a given point in time, charged for a particular depreciable asset or class of assets (refer to Depreciation).

Accumulated Funds

Represents the capital the Government has injected into an agency, less any capital distributions to Government, plus the surpluses and deficits accumulated in an agency as a result of operations. For directorates, capital injections and distributions may occur as a result of a change in administrative arrangements.

Agency

This term is defined as an ACT Government Directorate, a Territory Authority or a Territory-owned Corporation.

Amortisation

The systematic allocation of the cost of an asset less its residual value over its useful life. The term amortisation is often used interchangeably with the term depreciation. However, depreciation is generally used in relation to non current assets that have physical substance (for example property, plant and equipment), while amortisation is generally used in relation to intangible non current assets (for example leased assets).

Appropriation

The maximum amount of public money authorised by the ACT Legislative Assembly under a legislative authority for transfer from the Territory Banking Account to an agency.

Assets

Future economic benefits, or service potential, controlled by an agency as a result of past transactions or other events.

Asset Classes

A grouping of assets of a similar nature and use in the operation of an agency.

Australian Accounting Standards (The Standards)

The accounting and reporting framework issued and maintained by the Australian Accounting Standards Board (AASB). The Standards prescribe the acceptable methods of measuring and recording accounting transactions and the required level of disclosure of those transactions in financial statements.

Australian Business Number (ABN)

A unique identifier for all business dealings with the Australian Taxation Office and for future dealings with other government agencies.

Budget Papers

These accompany the Appropriation Bill(s) and contain detailed information on the Budget, as well as explanatory material on the context of the Budget.

Capital

The accumulated wealth that an agency is responsible for, resulting from Government contributions as owner and the retained earnings in the agency.

Capital Expenditure

Funds expended in the course of adding to the future economic benefits provided by an asset as a result of a physical addition, improvement or extension of the useful life of the asset. Capital expenditure also includes the purchase or development of new assets.

Capital Grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another. Cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.

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 to increase 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 Upgrades

Activities and minor works intended to extend the effective useful life of an existing asset, or improve an asset's service potential. They may also include works for ongoing programs vital to an agency's service delivery objectives.

Capital upgrades do not include ongoing repairs and maintenance which do not extend the useful life of an asset and are funded through an agency's recurrent appropriation.

Capital Works

Capital works are defined as:

- the creation of a new Territory asset, including new construction projects, and additions to assets;
- alterations to buildings and other assets;
- demolition work;
- furniture and fittings, equipment or plant which are provided as an integral component in the construction and upgrade of buildings or works;
- work which significantly increases the service delivery capability of an asset, for example the major reconstruction of roads and bridges;
- design fees; and
- site testing and field investigations related to an approved capital works proposal or project.

Cash

Comprises cash on hand and demand deposits.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Cash Flows

Inflows and outflows of cash and cash equivalents.

Cash Surplus / Deficit

The net cash received from operating activities less net sales and purchases of non-financial assets. A cash surplus indicates there was sufficient cash generated from operations to more than cover the net outlay of the capital works program. This measure is located at the bottom of the consolidated harmonised Cash Flow Statement.

Commitment

A firm intention (usually represented by a contractual obligation) at the end of the reporting period which will give rise to a future payment or sacrifice of service potential or benefits.

Commonwealth Grants

Includes general revenue in the form of Goods and Services Tax (GST) grants from the Commonwealth Government for the purpose of contributing to the financing of the current operations of the recipient. This is in addition to monies received for specific purposes, where the Commonwealth Government wishes to have some involvement in the direction of the expenditure. These take the form of either Specific Purpose Payments or National Partnership Payments. Grants are also received for on-passing to third parties (for example to non government schools), where the Territory has no discretion in their allocation.

Commonwealth Grants Commission (CGC)

Established by the Commonwealth Government in 1933, the CGC is a statutory authority whose main function is to recommend GST relativities to the Commonwealth Government concerning the distribution of the GST pool among the States and Territories in accordance with the principles of Horizontal Fiscal Equalisation (HFE).

Consumer Price Index (CPI)

The CPI measures changes in the price of a basket of goods and services (groups) which are typical of the purchases made by metropolitan households in the eight capital cities.

Controlled Items

They are items over which the directorate or agency has discretion, responsibility and authority. An item is considered to be a controlled item if the directorate or agency has:

- capacity to benefit from the use of the asset or funds in the pursuit of its objectives and to deny or regulate the access of others to those assets or funds; or
- discretion and responsibility for how the funds are spent; or
- expended funds, incurred a liability, or received free services, related to the operations under its control.

Council for the Australian Federation (CAF)

Established by State Premiers and Chief Ministers in October 2006 to support and enhance collaborative federalism by providing an intergovernmental forum for State and Territory leaders to work together on issues of importance.

Council of Australian Governments (COAG)

The peak intergovernmental forum in Australia comprising the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association (ALGA). Its role includes initiating, developing, endorsing and monitoring the implementation of policy reforms of national significance which require cooperative action by Australian Governments.

Current Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised or is intended for sale or consumption in the agency's normal operating cycle; or
- it is held primarily for the purpose of being traded; or
- it is expected to be realised within twelve months after the reporting date; or
- it is cash or a cash equivalent.

Current Grant Expenses

Payments of a current nature to individuals or organisations for general assistance or a particular purpose that, by virtue of their payment, contribute to the achievement of the program's objectives.

Current Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the agency's normal operation cycle; or
- it is held primarily for the purpose of being traded; or
- it is due to be settled within twelve months after the reporting date; or
- the agency does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Debt

A legal obligation to make payments of principal and (in some cases) interest according to a predetermined schedule. Debt includes obligations arising from loans (including advances from the Commonwealth Government), bonds, notes and other securities on issue, the capitalised value of outstanding lease commitments under finance lease arrangements, supplier/buyer credits, bank overdrafts, and deferred contract payments.

Debt Servicing

Payments of interest and repayments of principal associated with borrowings and Commonwealth Government advances.

Depreciation Expense

The systematic allocation of the cost of an asset less its residual value over the remainder of its useful life.

Directorate (previously Department)

The term used to define the functional units of the ACT Public Service.

Dividend

A portion of a corporation's after tax earnings paid to shareholders.

Employee

An employee is a natural person who receives benefits in exchange for services provided to an employer.

Employee Benefits

Benefits that employees accumulate as a result of providing their services to an employer up to the reporting date. These may include, but are not limited to, annual leave, long service leave, superannuation benefits and other post employment benefits.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurred liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

The whole of government harmonised Operating Statement expenses include all mutually agreed transactions that decrease net worth, in accordance with Government Finance Statistics (GFS) principles.

Finance Lease

A finance lease transfers from the lessor to the lessee substantially all the risks and rewards incidental to the ownership of an asset. Title may or may not eventually be transferred.

Financial Assets

Assets that derive value because of a contractual claim.

First Home Owner Boost Scheme (FHOB)

The FHOB supplements the First Home Owner Grant Scheme (FHOG). The FHOB is funded by the Commonwealth Government and applied to contracts entered into on or before 31 December 2009. The FHOB does not apply to contracts made after 31 December 2009.

First Home Owner Grant Scheme (FHOG)

States and Territories are required to fund a FHOG to offset the impact of the Goods and Services Tax (GST) on the price of new homes.

Full-Time Equivalent (FTE)

A measure of the total level of staff resources used. The FTE of a full-time staff member is equal to 1.0. The calculation of an FTE for part-time staff is based on the proportion of time worked compared to that worked by full-time staff performing similar duties. Contractors are excluded.

Gains (agency reporting only)

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 the disposal of non-current assets.

Generally Accepted Accounting Principles (GAAP)

A widely accepted set of uniform standards, rules, conventions and procedures for reporting financial information established by the AASB.

Government Business Enterprise (GBE)

Organisational units within the public sector that produce goods and services which are, or could be, sold or tendered in the market place without compromising government's economic and social objectives.

General Government Sector (GGS)

This is an Australian Bureau of Statistics (ABS) categorisation of certain public sector agencies. It covers agencies mainly engaged in the production of goods and services outside the normal market mechanism, for consumption by government itself and the general public. The agencies' costs of production are mainly financed from public revenues and they provide goods and services to the general public, or sections of the general public, free of charge or at nominal charges well below the cost of production.

General Revenue Assistance (GRA)

Covers a broad range of payments including GST payments which are provided to the States and Territories by the Commonwealth without conditions to be spent according to their own budget priorities.

Goods and Services Tax (GST)

The GST is an indirect, broad-based consumption tax.

GST Revenue

GST revenue collected by the Commonwealth Government is transferred to the States and Territories as untied financial assistance in accordance with the principle of Horizontal Fiscal Equalisation.

Government Finance Statistics (GFS)

The framework used by the ABS for presentation of data on government outlays, revenue and financing transactions through either the General Government sector or the public component of the business sector (the Public Trading Enterprise sector) in accordance with an internationally accepted set of concepts and definitions.

Government Payment for Outputs (GPO)

The appropriated revenue that agencies earn from producing outputs for Government. The Legislative Assembly approves the appropriation as part of the annual budget.

Grants (non ACT Government)

These include payments to individuals or organisations for general assistance or for a particular purpose that contribute to the achievement of the program's objectives. Grants may be for capital and the grant name or category reflects the use of the grant. Grants are usually made subject to terms and conditions contained in legislation or contracts, or stipulated in correspondence. An individual or organisation may apply for a grant based on eligibility criteria being met. Capital grants do not reflect an investment by the Government and are not included as Territory assets.

Gross State Product

The total value of production within a State or Territory which is the State/Territory equivalent of Gross Domestic Product.

Harmonised Financial Statements

These are consolidated financial statements prepared in accordance with the 'AASB 1049, *Whole of Government and General Government Sector Financial Reporting*', standard to meet the requirements of the GFS, the AASB and the Uniform Presentation Framework.

Horizontal Fiscal Equalisation (HFE)

A concept used to distribute GST Revenue amongst the State and Territory governments such that each would have the fiscal capacity to provide services and the associated infrastructure at the same standard, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency.

Income (agency reporting only)

Income arises from increases in economic benefits during the accounting period in the form of inflows or enhancements of assets, or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income encompasses both revenue and gains.

Industry Value Added

The value of output in a particular industry minus the intermediate inputs used in the production of that output.

Intergovernmental Agreement on Federal Financial Relations (IGA-FFR)

The current Intergovernmental Agreement on Federal Financial Relations was signed by COAG in December 2008. The IGA-FFR replaced the 1999 IGA on the Reform of Commonwealth-State Financial Relations.

Federal legislation providing appropriation in respect of the fiscal grants, outlined in Schedule D of the IGA, was signed by the Commonwealth Government in the form of the *Federal Financial Relations Act 2009* on 1 April 2009.

Inventories

Includes assets (but does not include depreciable assets):

- held for sale or consumption in the ordinary course of service delivery; or
- in the process of production for such sale or consumption; or
- to be used up in the production of goods, other property or services for sale or consumption including consumable stores and supplies.

Investments

Assets held by an agency primarily for the accumulation of wealth through receipt of distributions (such as interest, royalties, dividends and rentals) or for capital appreciation.

Input Tax Credit

Organisations that are registered for GST are entitled to claim as a credit, from the Australian Taxation Office, any GST paid on purchases they made for a creditable acquisition.

Liabilities

Liabilities represent a present obligation of an agency arising from past events, the settlement of which is expected to result in an outflow from the agency of resources embodying economic benefits. Liabilities are a broader concept than debt. They also include obligations which do not have a predetermined repayment schedule, and those which do not require payments of interest, such as unfunded liabilities of superannuation funds, liabilities in respect of other employee benefits (long service and annual leave) and trade creditors.

Loan Council

Established under the *Financial Agreement Act 1927*, the Australian Loan Council has the objective of managing the call on national savings by the Australian public sector as a whole. The Loan Council consists of a Commonwealth Government representative as chairman and a representative of each of the States and Territories.

Loan Council Allocation (LCA)

A measure of the call on national savings by a jurisdiction. The Australian Loan Council allocates, by mutual agreement, an annual target for total net financing by each jurisdiction. The LCA is calculated on the basis of a government's cash position, and resulting call on financial markets in any given year, required to meet its budget obligations.

Local Health Network (LHN)

The ACT LHN consists of a networked system that will hold service contracts with the ACT Health Directorate. The ACT LHN will be comprised of the Canberra Hospital, Calvary Public Hospital, Clare Holland House (CHH) and the Queen Elizabeth II Family Centre (QEII). The ACT LHN has its own set of financial accounts and performance indicators, providing transparency and accountability of funding flows to the ACT LHN from the National Health Funding Pool.

Materiality

Materiality is the concept of establishing the importance of financial data in accordance with Australian Accounting Standard AASB1031. In general, an item of information is material if its omission, non-disclosure or misstatement would cause the financial statements to mislead users when making evaluations or decisions. The size or nature of the item, or a combination of both, could be the determining factor.

Memorandum Items

The size of a jurisdiction's Loan Council Allocation is determined by adding the General Government sector cash deficit/surplus, the Public Trading Enterprise sector's net financing requirement and certain memorandum items.

These memorandum items are included because their nature is sufficiently similar to financing transactions in their economic impact to justify inclusion. These include:

- the net movement of operating leases with a net present value of payments greater than \$5 million;
- private sector involvement in public sector infrastructure;
- sales of assets on a recourse basis;
- the net cash surplus/deficit of universities in the jurisdiction controlled by the Government (for example the University of Canberra); and
- adjustments to exclude all superannuation payments to externally managed and controlled superannuation funds from outlays.

Mid-Year Economic and Fiscal Outlook (MYEFO)

The Commonwealth Government generally updates its Federal budget estimates in November/December in any given year.

National Agreements

National Agreements define the objectives, outcomes, outputs and performance indicators, and clarify the roles and responsibilities that will guide the Commonwealth and the States in the delivery of services across a particular sector.

There are currently six National Agreements covering key areas of healthcare, education, skills and workforce development, disability services, affordable housing and Indigenous reform. Each National Agreement, with the exception of the National Indigenous Reform Agreement, is associated with a National Specific Purpose Payment (National SPP) which is required to be spent in the relevant sector.

National Partnership Agreement (NPA)

A key element of the federal financial relations framework set out in the IGA-FFR is National Partnership agreements which define the mutually agreed objectives, outcomes, outputs and performance benchmarks or milestones related to the delivery of specific projects, improvements in service delivery or reform.

Implementation Plans (IPs) are subsidiary documents to some National Partnership agreements and outline what is to be achieved by a jurisdiction and when.

Project Agreements (PAs) are a type of National Partnership used to implement projects that are considered low-value and/or low risk. Project Agreements are simple, standalone, outputs-focussed documents that are generally bilateral although they may be multilateral in certain limited circumstances.

National Partnership Payment (NPP)

A Commonwealth payment to the States and Territories, in respect of a National Partnership Agreement, to support the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.

National Specific Purpose Payment (SPP)

A Commonwealth financial contribution to support State and Territory delivery or services in a particular sector. Each National SPP is associated with a National Agreement.

National Tax Equivalent Regime (NTER)

An administrative arrangement between the Commonwealth Government, States and Territories which notionally applies relevant taxation laws to nominated State and Territory GBEs.

Net Debt

The sum of deposits held, advances received and borrowings minus the sum of cash and deposits, advances paid, investments, loans and placements. Net debt is a useful measure to judge the overall strength of the Government's fiscal position. A negative position indicates that General Government sector cash reserves and investments are greater than gross liabilities.

Net Financial Liabilities

Net financial liabilities takes into account unfunded superannuation liabilities and provides a broader measure of debt than net debt. Net financial liabilities are calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets but excludes the value of equity held by the General Government sector in public corporations.

Net Financial Worth

The amount by which total financial assets exceed financial liabilities. It is a measure of net holdings of financial assets.

Net Increase / (Decrease) in Cash Held

The sum of the net cash flows from all operating, investing and financing activities.

Net Lending / Borrowing

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.

Net Operating Balance

This is calculated on the harmonised whole of government operating statement as revenue minus expenses. It is equivalent to the change in net worth arising from transactions.

Net Worth

Defined as total assets less total liabilities. It is an economic measure of wealth and reflects the contribution of jurisdictions to the wealth of Australia.

Nominal Superannuation Expense

Refers to the imputed interest accrued each quarter on unfunded superannuation liabilities. In an unfunded superannuation scheme, the increase in superannuation liability is taken as being equivalent to the liability that would be generated under a fully funded scheme as if the employer was paying into a separate superannuation fund. In this scenario, the Government is viewed as compulsorily 'borrowing' from employees the value of the increase in superannuation liability each period. In doing so, it sustains an additional cost for the use of these 'borrowed' funds which is an interest expense. The cost of these 'borrowed' funds is presented in operating statements as nominal interest.

Non-Financial Assets

Refers to all assets other than financial assets. Primarily includes property, plant and equipment, such as roads, schools, hospitals, land, inventories, other infrastructure and intangible assets.

Non-Financial Public Sector (NFPS)

Represents the consolidated transactions and assets and liabilities of the General Government and Public Non-Financial Corporation (PNFC) sectors. In compiling statistics for the NFPS transactions and debtor-creditor relationships between subsectors are eliminated to avoid double counting. This process is known as consolidation.

Operating Leases

Leasing arrangements in which all substantial risks and rewards incidental to ownership of a leased asset effectively remain with the lessor (the owner of the asset) rather than passing to the lessee (which would make it a finance lease).

Operating Result

Operating profit or loss for the period being reported.

Other Economic Flows

For the whole of government harmonised operating statement, other economic flows includes changes in the value of assets from revaluations, non-financial asset sales and non-mutual bad debts written off.

Output

Goods produced or services provided by, or on behalf of, an agency to the community. Outputs allow for the measurement of the cost of an agency to provide goods or services to the ACT community.

Output Class

A collection of a set of outputs within an agency.

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).

Performance Indicator

An accountability indicator or a strategic indicator.

Performance Measure

Quantifiable units of measurement used to determine and assess the delivery of outputs.

Prepayments

Payments made in one reporting period, in respect to goods or services that an agency expects to receive or consume in future periods.

Property, Plant and Equipment

Property, plant and equipment are assets that:

- are held by the agency for use in the production or supply of goods and services, for rental to others, or for administrative purposes;
- have been acquired, obtained or constructed with the intention of being used on a continuing basis; and
- are not intended for sale in the ordinary course of business or service delivery.

Provision

Liability for which the amount or timing of the future sacrifice of economic benefits that will be made is uncertain.

Public Non-Financial Corporation (PNFC) Sector

The PNFC sector is also known as the Public Trading Enterprise (PTE) sector. The PNFC sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved. In general PNFCs are legally distinguishable from the government which owns them.

Public Trading Enterprises (PTEs)

This is an ABS categorisation of certain public sector agencies. It comprises government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.

Receipts

Cash inflows for a period, irrespective of when the moneys are earned.

Relativity (GST)

A per capita weight assessed by the CGC for use by the Australian Treasury to calculate the share of the GST revenue a State or Territory requires to achieve HFE. The Australian average relativity is 1.0. By way of example, a jurisdiction assessed by the CGC as having a relativity of 2.0 would require twice as much GST revenue per capita than the Australian average to achieve HFE.

Reserves

Reserves are recognised for the increases on revaluation of non-current assets or other intended uses of accumulated funds.

Retained Earnings (or Earnings)

Retained earnings are the accumulated operating results since the 1996-97 audited financial statements not transferred to reserves or to the Government.

Revenue

Revenue is an inflow of economic benefit which arises in the course of the ordinary activities of an agency. For the whole of government operating statement, revenue includes all mutually agreed transactions that increase net worth in accordance with GFS principles.

Service Purchasing

Refers to funding arrangements by which the Territory (as purchaser) contracts with a provider for delivery of specified services. These are identified as specific outputs which contribute toward the achievement of the Government's desired outcomes. Providers are required to report against agreed indicators in order to assist the Territory to meet its accountability obligations to the community.

State Final Demand

The aggregate obtained by summing government final consumption expenditure, household final consumption expenditure, private gross fixed capital formation and the gross fixed capital formation of public corporations and general government.

Standing Council for Federal Financial Relations (SCFFR)

The SCFFR was formally launched by the Prime Minister in January 2012, replacing the Ministerial Council for Federal Financial Relations under the new COAG system. It has responsibility for the general oversight of the operation of the IGA-FFR on behalf of COAG and is comprised of all State and Territory Treasurers, chaired by the Commonwealth Treasurer.

Strategic Indicators

Performance indicators aimed at measuring the Government's performance against longer-term strategic outcomes which impact upon the ACT community. An agency has some accountability for performance against these indicators, although it cannot be held fully responsible for achieving the specified targets, as there are external factors which will influence the result. Strategic indicators are not subject to audit.

Strategic Objectives

The effect or difference an agency aims to make in the ACT community in the short to medium term. Strategic objectives contribute to government priorities and goals and can be influenced by an agency in the medium term. The objectives are measurable and/or verifiable through strategic indicators.

Superannuation Provision Account (SPA)

A provisioning account established in 1991 to assist the Government in managing its unfunded superannuation liabilities for employees who are members of the Commonwealth Government's CSS and PSS schemes. Its operations are subject to the legislative requirements of the *Territory Superannuation Provision Protection Act 2000* which limits moneys standing to the credit of the account to be used for superannuation purposes only, not for the general purposes of government.

Supplies and Services

This category of expenses is one of a number identified according to their nature or type for disclosure in the operating statement. This category includes such types of expenses as travel, office requisites, postage, computer services, consultants and telecommunications services.

Tax-Equivalent Payments

Refers to payments that a GBE is required to make in order to ensure it has the same taxation obligations as private sector firms, usually for competitive neutrality reasons. For example, although GBEs are ordinarily exempt from Commonwealth Government income taxes, they are required by their owner governments to make payments calculated on the same basis as income tax.

Territorial

Territorial (administered) items are income, expenses, assets and liabilities that an agency administers but does not control. These items relate to activities performed on behalf of the Territory. An item would generally be regarded as a Territorial (administered) item if the agency:

- has restricted or no discretion in relation to the item; or
- has restricted or no discretion to increase or decrease the item; or
- has responsibility for the item, but restricted or no authority over its use; or
- is responsible only for the collection and/or transfer of the item.
- items are Territorial (administered) where decisions relating to their use are primarily made by the Government.

Territory Banking Account (TBA)

The TBA is a banking account required to be opened and maintained for the purposes of the Territory in accordance with Section 33 of the *Financial Management Act 1996*.

Territory Owned Corporation (TOC)

A company owned by the Territory which is specified in Schedule 1 of the *Territory-Owned Corporations Act 1990*. Territory Owned Corporations are subject to the obligations imposed by *Territory-Owned Corporations Act 1990* as well as other legal obligations imposed on them by any other law such as the *Commonwealth Corporations Act 2001* or the constitution of the company.

Territory Unencumbered Cash (TUC)

A measure of excess capacity (cash and investments) at a point in time that has not been formally allocated, excluding agency balances. TUC needs to be considered in the context of its balance over the Budget and Forward Estimates period, in order to ensure cash reserves are maintained at a reasonable level.

Total Comprehensive Income

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.

Treasurer's Advance

Funds available under Section 18 of the *Financial Management Act 1996* for expenditure in excess of specific appropriations or not specifically provided for by existing appropriations.

Trust Money

Money an agency holds in trust on behalf of a third party. The agency acts as administrator of funds and is not permitted to spend these funds on the agency's controlled activities. This money is accounted for separately from either controlled or territorial money.

Uniform Presentation Framework (UPF)

By agreement between the Commonwealth Government and the States and Territories, each jurisdiction presents financial information on a UPF basis in their budget papers, and in mid-year budget updates and in budget outcome reporting. The primary objective of the UPF is to ensure that the Commonwealth Government, State and Territory governments provide a common 'core' of financial information in their budget papers to enable direct comparisons of each government's budget and financial results. The UPF is based on the harmonised whole of government reporting standard.

User Charges

Revenues resulting from the sale of goods and services to consumers. User charges include revenue that the reporting agency controls, and excludes Territory (administered) revenue. User charges exclude Government Payment for Outputs.

Vertical Fiscal Imbalance

The difference between the relative revenue raising capacity and spending responsibilities of the Commonwealth and States and Territories.

Wage Price Index (WPI)

The WPI is a price index which measures changes over time in wages and salaries for employee jobs, unaffected by changes in the quality or quantity of work performed. Changes in wages and salaries resulting from changes in the composition of the labour market are excluded from the WPI movements.

Whole of Government Harmonised Standard

The term refers to the harmonisation of GAAP and Government Finance Statistics. 'AASB 1049, *Whole of Government and General Government Sector Financial Reporting*' requires a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable to the relevant budget statements. The standard requires governments to report according to accounting standards, choosing options that are consistent with GFS accounting where available, and present according to the GFS principles.