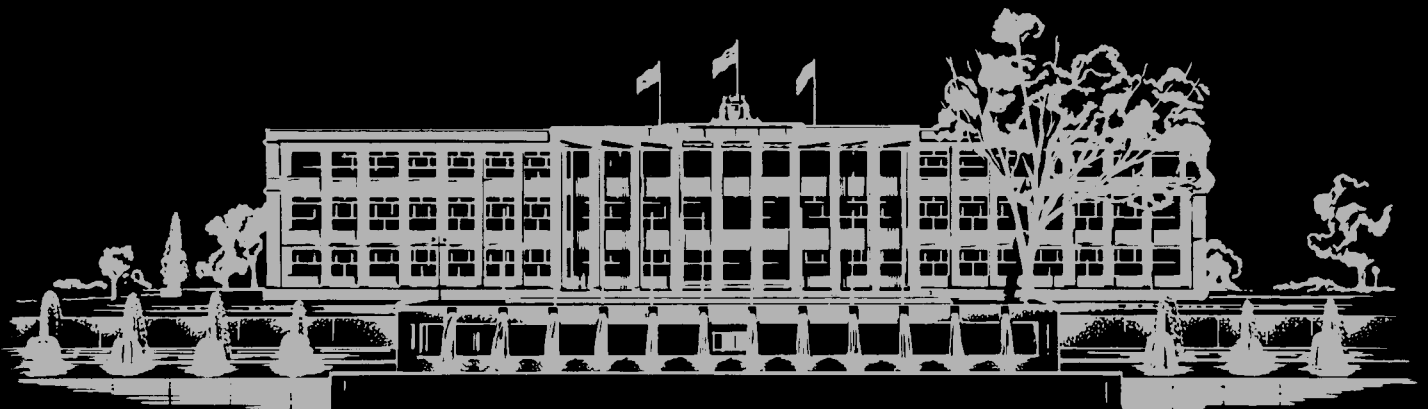




2005-06 BUDGET

READER'S GUIDE TO THE 2005-06 BUDGET STATEMENTS



Foreword

This guide has been prepared to assist readers with understanding the 2005-06 Budget Papers, in particular the Budget Statements (Budget Paper No.2).

The budget papers are presented on an accrual accounting basis. Accrual accounting presents the full cost of providing government services and indicates the ability of Government to deliver sustainable services in the future.

This year's budget papers demonstrate a transition to Australian equivalents to International Financial Reporting Standards (AIFRS).

In addition, the 2005-06 Budget Statements reflect updates to Western Australia's performance management framework referred to as Outcome Based Management (OBM). Key changes include an increased focus on agency level government desired outcomes, the use of the word 'service' to describe outputs, and enhancements to performance monitoring and reporting, most notably, replacement of output measures with audited key efficiency indicators.

The Reader's Guide continues to include supporting information, which describes the key elements in each of the three financial statements that make up the suite of accrual accounts prepared by budget funded departments and statutory authorities.

Feedback is welcome and can be directed to the Department of Treasury and Finance (Financial Policy) on (08) 9222 9248.

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What are the Budget Papers?

BUDGET PAPER NO. 1 – 2005–06 BUDGET SPEECH

The budget speech delivered by the Treasurer, the Hon. E S Ripper B.A., Dip.Ed., MLA, to Parliament on 26 May 2005.

BUDGET PAPER NO. 2 – 2005–06 BUDGET STATEMENTS (VOLUMES 1 TO 3)

Appropriations in accordance with the Appropriation Bills presented to Parliament, and detailed financial and performance information for agencies.

Chapter 1 – Consolidated Fund Expenditure Estimates

Chapter 2 – Net Appropriation Determinations

Chapter 3 – Agency Information in Support of the Estimates

BUDGET PAPER NO. 3 – 2005–06 ECONOMIC AND FISCAL OUTLOOK

Whole of government financial information together with key assumptions and economic factors taken into account when framing the budget.

Chapter 1 – Economic and Fiscal Outlook – Overview

Chapter 2 – Fiscal Strategy and Financial Projections

Chapter 3 – Election Commitments and Other Expenditure Initiatives

Chapter 4 – Financial Projections – Revenue

Chapter 5 – The Western Australian Economy

Chapter 6 – Federal Affairs

Chapter 7 – Structural Reform

2005–06 BUDGET OVERVIEW

Key features of the budget supported by graphical and tabular presentations. It includes a regional breakdown of key capital works projects.

INVESTING IN INFRASTRUCTURE

Outlines the importance of the public sector's investment in infrastructure to the Western Australian economy, and how the Government's planned capital investment will be funded.

READER'S GUIDE TO THE 2005–06 BUDGET STATEMENTS

Explanation and illustration of the main content of the Budget Statements.

What is in the Budget Papers?

BUDGET PAPER NO. 1

This is the Budget Speech delivered in Parliament by the Treasurer, which outlines the priorities of Government for the budget year and seeks approval to the two annual Appropriation Bills for recurrent services and capital purposes.

BUDGET PAPER NO. 2

Agencies receiving appropriations from the Consolidated Fund are identified in Budget Paper No. 2. This includes all departments and the majority of other agencies in the general government sector. The capital works programs of public corporations are also included in Budget Paper No. 2.

Chapter 1 summarises the estimated expenditure from the Consolidated Fund. The item numbers in this chapter form the basis for the annual Appropriation Bills presented to Parliament.

Chapter 2 summarises the revenue retained by agencies under net appropriation determinations. These determinations allow the agencies to retain revenue received and to apply that revenue towards the delivery of services as specified in the budget papers.

Chapter 3 presents detailed information on income, expenses and performance for each agency. The financial statements in this chapter are prepared in accordance with Australian Accounting Standards. This is consistent with the presentation used for financial statements in agency annual reports.

The budget for each agency is expressed in terms of funding provided to deliver services. These services are intended to achieve the Government's policy priorities, expressed as goals and agency level Government desired outcomes. Key effectiveness indicators provide information on the extent to which these desired outcomes are achieved. Key efficiency indicators are reported to assist with assessing agency performance in terms of service delivery.

BUDGET PAPER NO. 3

This paper contains information relating to the aggregate fiscal and economic position and outlook of the State. It includes analysis of the performance of the State's economy, total public sector, and components of the public sector such as the general government sector. Whole of government forward estimates are also disclosed, as well as developments in Commonwealth/State relations and structural reform.

The **general government sector** includes agencies that operate primarily with Parliamentary appropriation funding.

Public non-financial corporations charge for goods and services on a largely commercial basis, and operate relatively independently of central government. This sector includes agencies such as Western Power and the Water Corporation.

The **public financial corporations** sector includes those agencies that largely trade in financial assets and liabilities. These include the State's central borrowing authority (the Western Australian Treasury Corporation), home lending schemes (through Keystart), and the Insurance Commission of Western Australia.

Enhancements to the Budget Statements

A number of enhancements are reported in the 2005-06 Budget Statements in terms of performance information and disclosure in financial statements.

PERFORMANCE INFORMATION

Revised Outcome Based Management (OBM) Guidelines were published in November 2004 following an extensive review, which included feedback from stakeholder groups. The key features include an emphasis on agency level Government desired outcomes, adoption of the term 'services' to replace 'outputs', abolition of mandatory reporting of output measures for quality, quantity, timeliness and cost, and adoption of more relevant and useful key performance indicators of efficiency and effectiveness. These improvements are intended to assist with performance monitoring, reporting and decision making.

The Government's performance management hierarchy is demonstrated in the summary table in Chapter 3 of Budget Paper No. 2, titled **Relationship to Government Goals**. This table shows the linkages of agency level desired outcomes and services to the most appropriate government goal, as reflected in the November 2003 document, *Better Planning: Better Services – A Strategic Planning Framework for the Western Australian Public Sector*.

There are currently five government goals:

1. People and communities;
2. The economy;
3. The environment;
4. The regions; and
5. Governance.

The reporting of agency performance in terms of achieving government desired outcomes is facilitated by the disclosure of audited key effectiveness indicators in agency annual reports. Selected key effectiveness indicators are presented in a single table in the budget statements titled **Outcomes and Key Effectiveness Indicators** immediately following information on goals.

To complement policy improvements to the Government's performance management framework, an Outcome Structure Review Group has been established. The group's primary role is to assess proposals for changes to agency outcome/service structures and to ensure that all changes to OBM structures improve the relevance and usefulness of performance information.

FINANCIAL STATEMENTS

The Australian equivalents to International Financial Reporting Standards (AIFRS) are to be adopted from 1 July 2005, for agencies with a financial year ending on 30 June.

In broad terms, the changes to the presentation of the Budget Statements due to the adoption of AIFRS are as follows:

- the Statement of Financial Performance is now called the Income Statement;
- the Statement of Financial Position is now called the Balance Sheet;
- the Statement of Cash Flows is now called the Cash Flow Statement;
- financial information is presented on an AIFRS basis for the budget year (2005-06) and the forward estimate years; and
- the 2004-05 estimated outturn is presented in accordance with the existing Australian Generally Accepted Accounting Principles (this approach facilitates comparison between the 2004-05 Budget estimates and 2004-05 actual results).

The classification of certain assets and liabilities may change as a consequence of adopting AIFRS. For example, the following new categories of assets have been introduced: non-current assets held for sale; inventories held for distribution; and software. In addition, the reported values for some items may change, such as dividends, which can only be recognised in the financial year that they have been declared and approved by the Minister.

Notes on the change from current standards to AIFRS are disclosed (where appropriate) throughout the Budget Statements as well as in the Economic and Fiscal Outlook (Budget Paper No. 3).

Further explanations on the AIFRS changes can be found on the Australian Accounting Standards Board website at www.aasb.com.au. Assistance is also available from the Department of Treasury and Finance at www.dtf.wa.gov.au/ias2005 or by contacting the Financial Policy Division on (08) 9222 9136.

Agency Level Information in Support of the Estimates

The agency details in Chapter 3 of Budget Paper No. 2 are arranged by Ministerial portfolio.

The outline of a typical agency is shown below:

APPROPRIATION AND FORWARD ESTIMATES

MISSION

SIGNIFICANT ISSUES AND TRENDS

MAJOR POLICY DECISIONS*

SERVICE AND APPROPRIATION SUMMARY

RESOURCE AGREEMENT

OUTCOMES, SERVICES AND PERFORMANCE INFORMATION

Relationship to Government Goals

Outcomes and Key Effectiveness Indicators

Service 1

Description and Costings

Key Efficiency Indicators

Major Achievements for 2004-05

Major Initiatives for 2005-06

Service 2

Description and Costings

Key Efficiency Indicators

Major Achievements for 2004-05

Major Initiatives for 2005-06

CAPITAL WORKS PROGRAM*

CAPITAL CONTRIBUTION*

FINANCIAL STATEMENTS

INCOME STATEMENT (CONTROLLED)

BALANCE SHEET (CONTROLLED)

CASHFLOW STATEMENT (CONTROLLED)

SCHEDULE OF ADMINISTERED EXPENSES AND INCOME*

SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES*

SCHEDULE OF ADMINISTERED PAYMENTS AND RECEIPTS*

DETAILS OF CONTROLLED GRANTS AND SUBSIDIES*

DETAILS OF THE ADMINISTERED TRANSACTIONS EXPENSES*

DETAILS OF THE ADMINISTERED TRANSACTIONS INCOME*

TRUST ACCOUNT DETAILS*

NET APPROPRIATION DETERMINATION*

* These sections may not be relevant to all agencies.

Illustration of Budget Tables

Appearing for each agency in Chapter 3 of Budget Paper No. 2
 ('Capital works only' agencies do not show this level of detail)

APPROPRIATION AND FORWARD ESTIMATES

Contains details of controlled funding to be provided to the agency for the delivery of services; standing appropriations made under other statutes; administered transactions; capital contributions; and appropriations to Trust Funds. The amount shown to deliver services is net of retained revenues.

	2003–04 Actual \$'000	2004–05 Budget \$'000	2004–05 Estimated Actual \$'000	2005–06 Budget Estimate \$'000	2006–07 Forward Estimate \$'000	2007–08 Forward Estimate \$'000	2008–09 Forward Estimate \$'000
DELIVERY OF SERVICES							
Item 87 Net amount appropriated to deliver services				18,372			
Amount Authorised by Other Statutes – Salaries and Allowances Act 1975				200			
Total appropriations provided to deliver services				18,572			
ADMINISTERED TRANSACTIONS							
Item 88 Amount provided for Administered Grants, Subsidies and Other Transfer Payments				600			
CAPITAL							
Item 171 Capital Contribution				7,000			
GRAND TOTAL				26,172			

Amount appropriated through the budget process for delivery of the services of the agency for the year.

Amounts that are appropriated by Acts of Parliament other than the annual *Appropriation Act* for the year.

Total amount appropriated to the agency for delivery of services. This equals 'Appropriation provided to deliver services' in the Service and Appropriation Summary (illustrated on page 8).

These amounts are not directly controlled by the agency and therefore do not form part of the cost of the services delivered. They are controlled by central Government and the agency administers the payments on its behalf.

This amount is appropriated to the agency to increase the operating capacity of the agency mainly through the purchase of assets (asset expansion). It is analysed in the Capital Contribution table (illustrated on page 11).

SERVICE AND APPROPRIATION SUMMARY

Provides details on services; administered transactions; and capital contribution to meet equity needs. The service information is reported on a total cost of service basis, with income deducted to arrive at the net cost of services. This amount is reconciled to the appropriation provided to deliver services by adjusting (where appropriate) for movements in cash balances and other accrual items.

	2003–04 Actual \$'000	2004–05 Budget \$'000	2004–05 Estimated Actual \$'000	2005–06 Budget Estimate \$'000	2006–07 Forward Estimate \$'000	2007–08 Forward Estimate \$'000	2008–09 Forward Estimate \$'000
SERVICES							
<i>Service 1:</i>							
Management of States Commercial Fisheries				11,290			
<i>Service 2:</i>							
Management of the States Recreational Fisheries				10,999			
<i>Service 3:</i>							
Management and Conservation of Fish and Fish Habitat				17,641			
Total Cost of Services				39,930			
Less Income							
Net Cost of Services				21,358			
Adjustments				-			
Appropriation provided to deliver Services				18,572			
ADMINISTERED TRANSACTIONS							
Appropriation for Administered Grants Subsidies and Transfer Payments				600			
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
Appropriation for Capital Contribution to meet equity needs				7,000			
TOTAL CONSOLIDATED FUND APPROPRIATIONS				26,172			

Gross accrual cost of each individual service to be delivered by the agency in the financial year.

Gross cost of all services for the financial year as per 'Total cost of services' in the Income Statement (illustrated on page 13).

Revenue received by the agency that reduces the gross cost of service to give net cost of services.

Changes in cash balances and accrued balances such as receivables and payables between the beginning and end of the financial year may cause the accrual cost of services to vary from the amount appropriated to the agency in the financial year.

Same amounts as they appear in Appropriation and Forward Estimates table (illustrated on page 7).

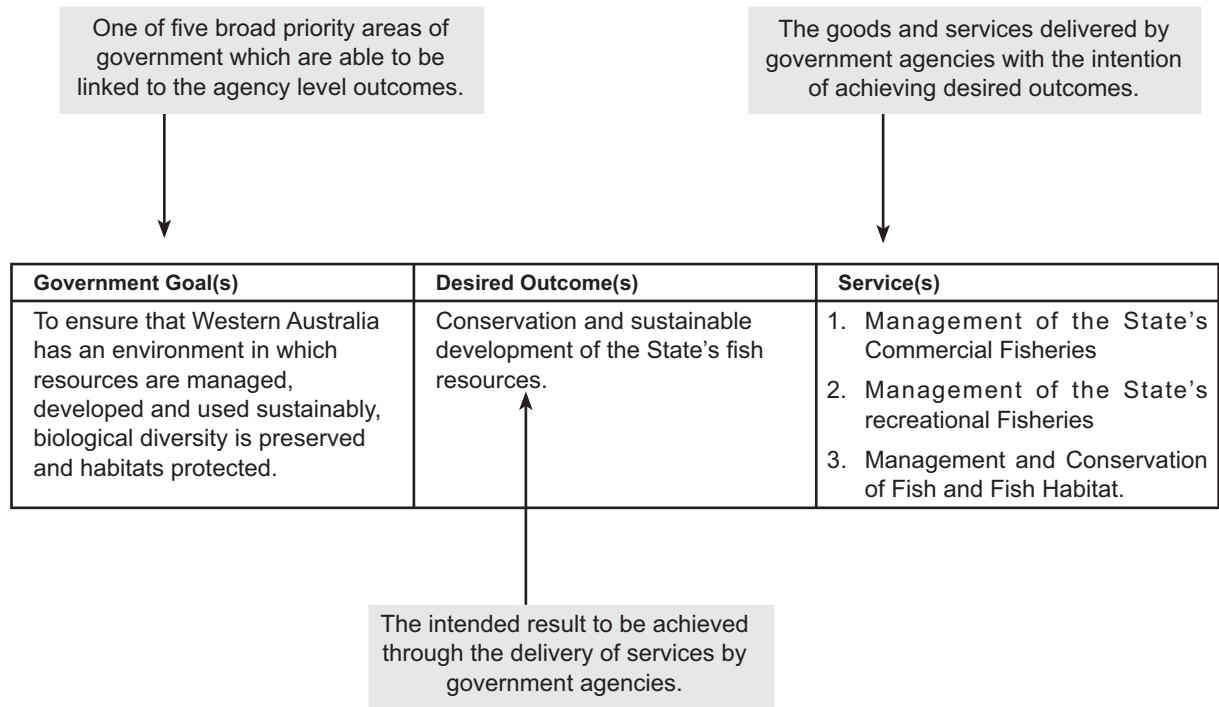
Agrees to 'Total appropriations provided to deliver services' in Appropriation and Forward Estimates table (illustrated on page 7).

OUTCOMES, SERVICES AND PERFORMANCE INFORMATION

Relationship to Government Goals

Demonstrates the linkage between the most appropriate government goal and the agency level desired outcomes and services.

Broad, high level government goals are supported at agency level by more specific desired outcomes. Agencies deliver services to achieve these desired outcomes, which ultimately contribute to meeting the higher level government goals.



OUTCOMES, SERVICES AND PERFORMANCE INFORMATION (CONTINUED)

Outcomes and Key Effectiveness Indicators^(a)

The outcome is the effect or impact on the community or target clients of government services(s). Key effectiveness indicators provide information on the extent to which outcomes have been achieved through the funding and delivery of agreed services. At least one audited key effectiveness indicator is required for each agency level desired outcome disclosed in the Budget Statements. Consistent information should be in agency annual reports.

	2003–04 Actual	2004–05 Budget	2004–05 Estimated	2005–06 Target	Reason for Significant Variation between 2004–05 Estimated and 2005–06 Target
Outcome: Conservation and sustainable development of the State's fish resources. The proportion of fish stocks identified as being at risk or vulnerable through exploitation The satisfaction rating of the broader community and stakeholders as to their perceptions of the extent to which the Department is achieving sustainable fisheries management objectives The proportion of commercial fisheries where predicted catches are achieved.					

^(a) More details of effectiveness indicators are provided in the annual report.

Audited Key Effectiveness Indicators.

Outcomes are the intended result to be achieved through the delivery of services by government agencies.

Services and Key Efficiency Indicators

Key efficiency indicators are presented for each delivered service. Efficiency indicators relate services to the level of resource inputs required to deliver them and are usually expressed as a fraction, % or ratio. The most common indicator is cost efficiency, however other indicators may focus on service productivity, and the quality of service standards based on customer need or even the timeliness in which services are delivered. The same efficiency indicators should be disclosed in annual reports.

	2003–04 Actual	2004–05 Budget	2004–05 Estimated	2005–06 Target	Reason for Significant Variation between 2004–05 Estimated and 2005–06 Target
Cost per managed fishery licence Average cost per hour Community Education and Compliance					

Audited Key Efficiency Indicators.

CAPITAL CONTRIBUTION

Information is presented on the capital contribution required to meet an agency's equity needs. The total cost of an agency's capital works program plus working capital requirements is adjusted for other sources of funding to derive the capital contribution.

	2003–04 Actual \$'000	2004–05 Budget \$'000	2004–05 Estimated Actual \$'000	2005–06 Budget Estimate \$'000	2006–07 Forward Estimate \$'000	2007–08 Forward Estimate \$'000	2008–09 Forward Estimate \$'000
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
Total Cost of Capital Works Program				9,000			
Working capital requirement							
Loan repayments				500			
				9,500			
LESS							
Borrowings				2,400			
Funding included in service appropriations....				-			
Drawdowns from the Holding Account				100			
Internal Funds and Balances				-			
Capital Contribution				7,000			

Agrees to the total of the Capital Works Program.

Loan repayments are capital transactions not included in the cost of services. They affect only the Balance Sheet.

Borrowings are an external source of funding and reduce the funding required from the Consolidated Fund.

Drawdown of previously appropriated depreciation credits from the holding account for the purposes of approved asset replacement.

Funding for some items in the Capital Works Program may be expensed and therefore included in 'Delivery of services'. To also include such funding in the capital contribution would be a duplication.

INCOME STATEMENT

The Income Statement presents information on expenses and income, and the resulting net cost of the agency's activities in a financial year.

The **net cost of services** reported in this statement impacts on the Government's net operating balance financial target.

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

These expenses are recorded in the Income Statement when an obligation requiring payment is entered into, regardless of whether that payment is to be made immediately or at some time in the future. This timing issue is the reason why expense amounts in the Income Statement differ from similarly categorised payments for operating activities in the Cash Flow Statement.

Depreciation and amortisation is another expense category reported in the Income Statement. Depreciation and amortisation expense represents the allocation of the value of asset acquisitions over their useful life. Given the non-cash nature of the expense, it does not have a matching category in the Cash Flow Statement.

Income is generated by an agency from its operating activities, mainly in the form of user charges. Revenues are recorded at the time they are earned, as opposed to the time at which payment is received, hence the possibility that revenue amounts in the Income Statement may differ from receipts from operating activities in the Cash Flow Statement. The difference between **expenses** and **income** is known as the **net cost of services**. This amount matches the amount shown against net cost of services contained in the Services and Appropriation Summary table. Net cost of services is a key monitoring point for agencies – a change in net cost of services directly impacts the Government's net operating balance.

Income from State Government mainly comprises the appropriations for services (recurrent services) approved by Parliament. Appropriations for capital contributions are not shown in this statement. Ideally, total income from State Government will match the net cost of services, however, there will often be minor variations due to carryover commitments across financial years, and recognition of superannuation expenses associated with the pension scheme (closed to new members since 1987).

For most agencies, the difference between **net cost of services** and **income from State Government** is their operating result, also known as **a change in surplus (deficiency) for the period**.

There may be isolated cases where agencies also have a **change in surplus/(deficiency)** arising from restructuring (such as machinery of government changes) and extraordinary items. Changes in equity arising from restructuring have no impact on appropriation income – they usually represent the transfer of assets and liabilities from one agency to another. Extraordinary items are rare and would only impact on the appropriation revenue if a cash transaction occurred.

INCOME STATEMENT (Controlled)

	2003–04 Actual ^(a) \$'000	2004–05 Budget ^(a) \$'000	2004–05 Estimated Actual ^(a) \$'000	2005–06 Budget Estimate ^(a) \$'000	2006–07 Forward Estimate ^(a) \$'000	2007–08 Forward Estimate ^(a) \$'000	2008–09 Forward Estimate ^(a) \$'000
COST OF SERVICES							
Expenses							
Employee benefits expenses ^(b)				20,186			
Supplies and services				9,280			
Depreciation and amortisation				2,147			
Finance Costs				340			
Accommodation				1,400			
Capital User Charge				2,635			
Grants and subsidies				3,491			
Other expenses				451			
TOTAL COST OF SERVICES				39,930			
Income							
Licence fees				3,450			
Regulatory fees and fines				11,490			
Gain on disposal of non-current assets				630			
Grants and subsidies				3,978			
Interest revenue				450			
Other revenue				1,360			
Total Income				21,358			
NET COST OF SERVICES				18,572			
INCOME FROM STATE GOVERNMENT							
Service Appropriations				18,572			
Liabilities assumed by the Treasurer				-			
Resources received free of charge				-			
TOTAL INCOME FROM STATE GOVERNMENT				18,572			
SURPLUS/(DEFICIENCY) FOR THE PERIOD				-			
Extraordinary Items				NA			
CHANGE IN SURPLUS/(DEFICIENCY) FOR THE PERIOD AFTER EXTRAORDINARY ITEMS				NA			

Details of accrual operating costs in the financial year.

Accrual incomes of the agency that are retained by the agency and applied to the delivery of services.

Accrual net cost of agency services in the financial year.

Total amount appropriated to the agency to deliver services. This agrees to the total in the Appropriation and Forward Estimates table (illustrated on page 7).

Represent those services received by an agency for which no payment is required.

This represents the change in the 'net worth' of the agency due to its operations in the financial year.

(a) 2003-04 and 2004-05 amounts are presented on the basis of current Australian Accounting Standards. 2005-06 Budget and the Forward Estimates are presented in accordance with Australian equivalents to International Financial Reporting Standards and therefore may not always be comparable with 2003-04 and 2004-05 at the detailed level within the financial statements.

BALANCE SHEET

The Balance Sheet is a record of assets, liabilities and equity taken at the end of each financial year. Assets and liabilities are further classified into current and non-current.

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

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

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 more of a physical nature with longer term useful lives, such as land, buildings and equipment. These are required to enable agencies to deliver services to their customers.

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

Equity represents the difference between total assets and total liabilities. Equity is also known as net assets or net worth. The components of equity are:

- **Contributed equity** – this comprises the accumulation of capital contribution appropriations from the 2001-02 year onwards and will also include the net value of assets and liabilities transferred to or from other government agencies as a result of restructures or function transfers;
- **Accumulated surplus/(deficiency)** – the accumulation of operating results (from the Income Statement) over the life of the entity; and
- **Reserves** – usually in the form of asset revaluation reserves, resulting from the revaluation of assets over time to maintain current accurate valuations. Land revaluations are normally a major component of asset revaluation reserves.

BALANCE SHEET (Controlled)

	2003–04 Actual ^(a) \$'000	2004–05 Budget ^(a) \$'000	2004–05 Estimated Actual ^(a) \$'000	2005–06 Budget Estimate ^(a) \$'000	2006–07 Forward Estimate ^(a) \$'000	2007–08 Forward Estimate ^(a) \$'000	2008–09 Forward Estimate ^(a) \$'000
CURRENT ASSETS							
Cash and cash equivalents				11,913			
Receivables				1,633			
Inventories				510			
Interest receivable				880			
Amounts receivable for services				1,328			
Prepayments				133			
Total current assets				16,397			
NON-CURRENT ASSETS							
Amounts receivable for services				3,020			
Land and buildings				8,800			
Plant and equipment				5,990			
Total non-current assets				17,810			
TOTAL ASSETS				34,207			
CURRENT LIABILITIES							
Payables				1,331			
Provision for employee entitlements				2,262			
Other				505			
Total current liabilities				4,098			
NON-CURRENT LIABILITIES							
Borrowings				1,050			
Provision for employee benefits				1,900			
Total non-current liabilities				2,950			
TOTAL LIABILITIES				7,048			
EQUITY							
Contributed equity				7,000			
Accumulated surplus/(deficiency)				-			
Reserves				20,159			
Total equity				27,159			
TOTAL LIABILITIES AND EQUITY				34,207			

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.

Current liabilities are those that are likely to be settled within 12 months.

Non-current liabilities are those that are not likely to be settled within 12 months.

The accumulated balance of capital contributions as shown in the Appropriation and Forward Estimates table.

Movement in surplus/deficit

Represents the difference between cost and current valuation of assets controlled by the agency.

The sum of assets less liabilities and represents the ownership interest of the Government in the agency.

(a) 2003-04 and 2004-05 amounts are presented on the basis of current Australian Accounting Standards. 2005-06 Budget and the Forward Estimates are presented in accordance with Australian equivalents to International Financial Reporting Standards and therefore may not always be comparable with 2003-04 and 2004-05 at the detailed level within the financial statements.

CASH FLOW STATEMENT

Cash receipts and cash payments are recorded in the Cash Flow Statement. These receipts and payments are categorised into cash flows from State Government, operating activities, investing activities and financing activities.

The net cash movements in the Statement of Cash Flows impact the Government's net debt financial target.

Cash flows from State Government are the cash component of the appropriation for services (recurrent services) and, if applicable, capital contribution appropriations and drawdowns from the holding account.

The cash component of the appropriation for services will differ from the appropriation income shown in the Income Statement by the amount of depreciation and amortisation expense and any increase in leave liabilities. These amounts are included in the accrual appropriation approved by Parliament, but in the first instance are transferred into a holding account administered by the Department of Treasury and Finance. Agencies subsequently draw on their credits in the holding account to replace existing assets and meet leave liability obligations when they fall due.

Receipts and payments included under **Cash flows from operating activities** relate closely to income and expenses from ordinary activities shown in the Income Statement. Categories are similar in nature – the difference is that amounts are not recorded in the Cash Flow Statement until income is actually received or expenses are actually paid.

Cash flows from investing activities relate to the purchase or sale of assets, such as land, buildings and equipment. The depreciation and amortisation expense associated with the cost of asset purchases that have a finite useful life, is disclosed in the Income Statement. Any profit or loss on the disposal of an asset is also recorded in the Income Statement.

Cash flows from financing activities relate mainly to borrowings. Any new borrowings are recorded as proceeds from borrowings and repayments of existing debt are also recorded here.

The **net increase or decrease in cash held** is simply a sum of cash receipts less cash payments for the period. Total cash at the beginning and end of the period is also shown. **Cash assets at the end of the reporting period** match to the total of cash assets shown in the Balance Sheet.

CASH FLOW STATEMENT (Controlled)

	2003–04 Actual ^(a)	2004–05 Budget ^(a)	2004–05 Estimated Actual ^(a)	2005–06 Budget Estimate ^(a)	2006–07 Forward Estimate ^(a)	2007–08 Forward Estimate ^(a)	2008–09 Forward Estimate ^(a)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM STATE GOVERNMENT							
Service Appropriations				13,258			
Capital Contribution				7,000			
Holding Account Drawdowns				100			
Net cash provided by State government				20,358			
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee benefits				(17,230)			
Superannuation				(1,471)			
Supplies and services				(13,991)			
Finance Costs				(360)			
Accommodation				(1,400)			
Capital User Charge				(2,635)			
Other payments				(146)			
Receipts							
Licence fees				20,019			
User charges and fees				45			
Interest received				680			
Goods and Services Tax				1,890			
Other receipts				1,111			
Net cash from operating activities				(13,488)			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of non-current assets				(1,900)			
Proceeds from the sale of non-current assets				523			
Net cash from investing activities				(1,377)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayment of borrowings				(1,030)			
Net cash from financing activities				(1,030)			
NET INCREASE/ (DECREASE) IN CASH HELD				4,463			
Cash assets at the beginning of the reporting period				7,450			
Cash assets at the end of the reporting period				11,913			

Cash received by the agency from appropriations and drawdowns from the holding account.

Cash flows involved in the course of normal operations of the agency. These are the cash movements relating to the accrual based figures for expenses and income in the Income Statement.

Cash flows involved in the purchase and sale of non-current assets.

Cash flows involved in new borrowings and repayment of existing borrowings. This includes borrowing from government sources.

Net total of all cash flows of the agency during the financial year.

Total of cash controlled by the agency at the beginning of the financial year.

Total of cash controlled by the agency at the end of the financial year.

(a) 2003-04 and 2004-05 amounts are presented on the basis of current Australian Accounting Standards. 2005-06 Budget and the Forward Estimates are presented in accordance with Australian equivalents to International Financial Reporting Standards and therefore may not always be comparable with 2003-04 and 2004-05 at the detailed level within the financial statements.

Other Sources of Information

In addition to this Reader's Guide, the following documents and websites provide relevant information on budget related issues.

BUDGET WEBSITE [HTTP://OURSTATEBUDGET.WA.GOV.AU](http://ourstatebudget.wa.gov.au)

This website includes the 2005-06 Budget Papers and previous Budget Papers.

DEPARTMENT OF TREASURY AND FINANCE WEBSITE [HTTP://WWW.DTF.WA.GOV.AU](http://www.dtf.wa.gov.au)

This website includes publications produced by the Department, as well as general information on the latest financial management issues and policy developments. Information on AIFRS is also available from the Department of Treasury and Finance website at www.dtf.wa.gov.au/ias2005.

OUTCOME BASED MANAGEMENT (OBM) – GUIDELINES FOR USE IN THE WESTERN AUSTRALIAN PUBLIC SECTOR (NOVEMBER 2004)

The guidelines provide an overview of the key concepts and other relevant material to assist stakeholders with both implementation and utilisation of the information generated by the performance management framework. OBM facilitates the monitoring of progress towards achievement of government desired outcomes through the delivery of services.

ACCRUAL APPROPRIATIONS AND CAPITAL USER CHARGE – A USER MANUAL (DECEMBER 2003)

The revised edition of this manual is intended to provide guidance to officers at all levels within agencies to operate within the accrual appropriations and capital user charge regime.

BETTER PLANNING: BETTER SERVICES (NOVEMBER 2003)

This document, published by the Department of the Premier and Cabinet, is built around five Government goals that contribute to achieving its vision. Each goal is supported by a number of government strategic outcomes. Agency level desired outcomes are required to link to one or more of these higher-level goals of Government.

Glossary

This glossary relates to terms used in this document and other budget papers. It is not exhaustive but is designed to provide readers with definitions or explanations of many of the terms contained in the budget papers.

accrual accounting	Recognition of economic events and other transactions involving income, expenses, assets, liabilities and equity as they occur, rather than when a flow of cash occurs.
accrual appropriations	Appropriations that recognise the total amount of resources, both cash and non-cash, that are to be made available to agencies.
administered revenues/expenses/ assets/liabilities	Activities and functions that are managed by an agency on behalf of government and do not contribute to the agency services.
agency	Term used to describe the organisations within the public sector that deliver goods and services. These are mainly departments (designated under section 35 of the <i>Public Sector Management Act</i>) and statutory authorities (established under specific legislation and for specific purposes).
amounts receivable for services	A restricted asset on an agency's Balance Sheet that can only be used for asset replacement or payment of accrued leave liability.
appropriation	Authorisation of agency expenditure through the passage of Appropriation Bills by Parliament.
asset	Future economic benefits controlled by an entity as a result of past transactions or other events. Assets may be tangible (e.g. land and buildings) or intangible (e.g. receivables, legal claims and rights).
capital contributions	Appropriations that increase the operating capacity of an agency by being applied to purchase assets (Capital Works Program) or reduce liabilities such as loan repayments.
capital user charge	A levy charged by government on the value of net assets (assets less liabilities) used by agencies in the delivery of services.
Consolidated Fund	The central ledger account administered by the Treasurer from which appropriations are paid and into which revenues of the State, such as taxes, royalties and Commonwealth grants, are credited.
controlled income/expenses/ assets/liabilities	Relate to activities that are controlled by an agency and which assist the agency to achieve its outcomes through delivery of services.
cost of capital	The expected return that is foregone by investing in an asset rather than in comparable financial securities. That is, the opportunity cost of capital.
debt	An interest bearing liability held by an agency. The rate of interest on the debt is the cost of debt.

depreciation	The portion of the cost of a non-current asset that is written off as an expense in the financial year, recognising the loss of future economic benefits embodied in non-current assets that have limited useful lives.
effectiveness indicator	A performance indicator providing information on the extent to which outcomes have been achieved through the funding and delivery of agreed services.
efficiency indicator	A performance indicator that relates services to the level of resource inputs required to produce them.
expense	Consumption or loss of future economic benefits in the form of reduction in liabilities of the entity, other than those relating to owners, that result in a decrease in equity during the reporting period.
equity	The residual interest in the assets of an entity after the deduction of liabilities.
<i>Financial Administration and Audit Act</i>	Commonly referred to as the <i>FAAA</i> , this statute sets out the framework of financial administration for departments and statutory authorities in the Western Australian public sector.
forward estimates	Estimates of future funding requirements. These assume that there will be no significant change in Government policy and are designed to provide a longer term perspective to the budget process.
full time equivalent	Defined as one person working full-time for one financial year.
Government goals	The broad priority areas of Government to which agency level outcomes are expected to be linked. The five Government goals are: People and Communities; the Economy; the Environment; Regions and Governance.
holding account	An account, administered by the Department of Treasury and Finance on behalf of agencies, that holds credits for the non-cash component of an agency's appropriation (depreciation and accrued leave entitlements) as a provision for the future replacement of assets and reduction in leave liability.
liability	Future sacrifices of economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other events.
net appropriations	The revenues agencies are permitted to retain under the <i>FAAA</i> , and apply to agency services.
operating surplus/deficit	Difference between income and expenses for the year on the Income Statement.
outcome	The intended result, effect or impact, to be achieved through the delivery of services.
service	The services which are delivered to achieve desired outcomes.
outcome based management (OBM)	The process whereby agencies are funded and have their performance assessed on the basis of the services they deliver and the outcomes they achieve.
resource agreements	A signed agreement between the Treasurer, relevant Minister and CEO (and a representative of the accountable authority in certain circumstances) formally endorsing the service to be delivered, the outcomes to be achieved and the financial plan of the agency.