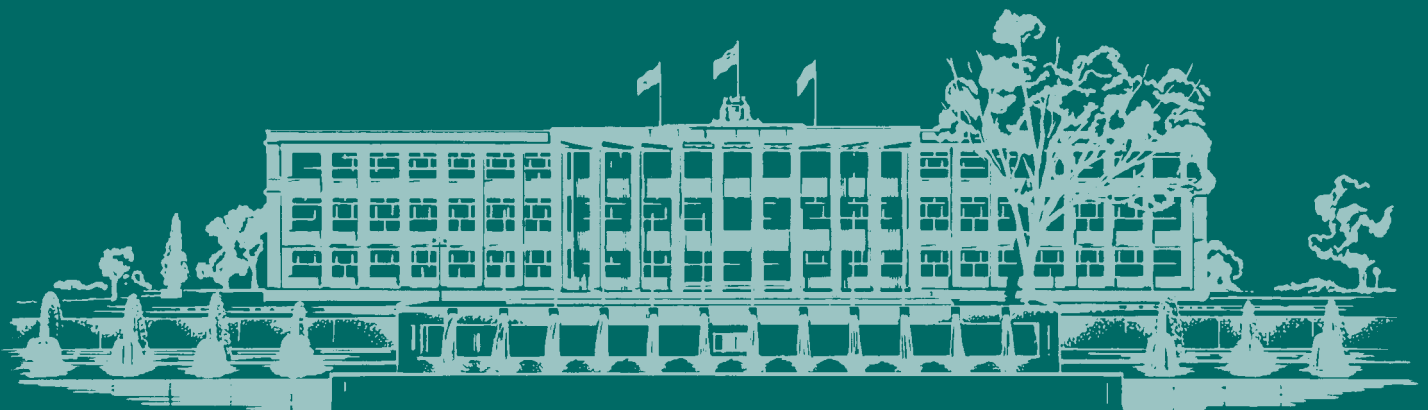




2004 - 05 BUDGET

READER'S GUIDE TO THE 2004-05 BUDGET STATEMENTS



For further information please contact:

Department of Treasury and Finance

197 St George's Terrace

Perth WA 6000

Telephone: +61 8 9222 9222

Facsimile: +61 8 9222 9342

Website: <http://ourstatebudget.wa.gov.au>

2004-05 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

Budget Paper No. 2 – Budget Statements (Volumes 1–3)

Budget Paper No. 3 – Economic and Fiscal Outlook

Budget Overview

Reader's Guide to the 2004–05 Budget Statements

ISSN 1448-2630

Foreword

This guide has been prepared to assist readers with understanding the 2004-05 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.

The accrual environment supports a shift in budget focus from the Consolidated Fund to a wider focus on whole of government transactions, which provides details of the accrued expenses, revenues, payments, receipts, assets and liabilities of the government. This approach supports the government's financial targets, which are set in accordance with the *Government Financial Responsibility Act*, and underpin the budget.

This year'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 9222 9248.

Contents

What are the Budget Papers?	2
What is in the Budget Papers?	3
Enhancements to the Budget Statements	4
Agency Level Information in Support of the Estimates	5
Illustration of Budget Tables	6
Other Sources of Information	18
Glossary	19

What are the Budget Papers?

BUDGET PAPER NO. 1 – 2004–05 BUDGET SPEECH

The budget speech delivered by the Treasurer, the Hon. E S Ripper B.A., Dip.Ed., MLA, to Parliament on 6 May 2004.

BUDGET PAPER NO. 2 – 2004–05 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 – 2004–05 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 – Financial Projections – Expenditure
- Chapter 4 – Financial Projections – Revenue
- Chapter 5 – The Western Australian Economy
- Chapter 6 – Federal Affairs
- Chapter 7 – Structural Reform

2004–05 BUDGET OVERVIEW

Key features of the budget supported by graphical and tabular presentations. It includes regional information on the economy, population and labour market.

READER'S GUIDE TO THE 2004–05 BUDGET STATEMENTS

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

What is in the Budget Papers?

BUDGET PAPER NO. 1

Contains the Budget Speech delivered in Parliament by the Treasurer, which outlines the priorities of government 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 non-financial corporations and public financial 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 net appropriation determinations and the agencies to which they apply. These determinations allow the agencies to retain revenue received and to apply that revenue towards the delivery of outputs as specified in the budget papers.

Chapter 3 presents detailed information on revenue, 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 outputs. These

outputs are intended to achieve the Government's policy priorities, expressed as strategic goals and desired outcomes. Key effectiveness indicators provide information on the extent to which these desired outcomes are achieved.

Agencies are also required to disclose measures of output quantity, quality, timeliness and cost (efficiency), together with appropriate performance targets.

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 2004-05 budget statements in terms of performance information and disclosure in financial statements.

PERFORMANCE INFORMATION

The summary table in Chapter 3 of Budget Paper No. 2, titled **Relationship to Government Strategic Goals**, supports the continuing emphasis on performance. This table shows the linkages of agency level desired outcomes and outputs to the most appropriate government strategic 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 strategic 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 strategic goals.

To complement improvements being made in 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/output structures and to ensure proposed changes are acceptable from a whole of government perspective.

Key results sought from the group are more relevant agency level outcomes and outputs, and more meaningful and useful performance indicators.

FINANCIAL STATEMENTS

Resources received free of charge is now disclosed separately under **Revenues from State Government** to more accurately reflect the total revenues provided by government. These resources were previously reported within User charges and fees under Revenues from ordinary activities.

Minor wording amendments have been inserted in the three financial statements. The statements now refer to Appropriations as **Output appropriations** and Holding account as **Holding account drawdowns**. Depreciation has been expanded to include reference to both **Depreciation and amortisation**.

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*
OUTPUT AND APPROPRIATION SUMMARY
RESOURCE AGREEMENT
OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION
Relationship to Government Strategic Goals
Outcomes and Key Effectiveness Indicators
Output 1
<i>Major Achievements for 2003-04</i>
<i>Major Initiatives for 2004-05</i>
Output 2
<i>Major Achievements for 2003-04</i>
<i>Major Initiatives for 2004-05</i>
CAPITAL WORKS PROGRAM*
CAPITAL CONTRIBUTION*
FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL PERFORMANCE (CONTROLLED)
STATEMENT OF FINANCIAL POSITION (CONTROLLED)
STATEMENT OF CASH FLOWS (CONTROLLED)
SCHEDULE OF ADMINISTERED EXPENSES AND REVENUES*
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 REVENUE*
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 outputs; standing appropriations made under other statutes; administered transactions; capital contributions; and appropriations to Trust Funds. The amount shown to deliver outputs is net of retained revenues.

	2002-03 Actual \$'000	2003-04 Budget \$'000	2003-04 Estimated Actual \$'000	2004-05 Budget Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000	2007-08 Forward Estimate \$'000
DELIVERY OF OUTPUTS							
Item 87 Net amount appropriated to deliver outputs				54,696			
Amount Authorised by Other Statutes							
– Salaries and Allowances Act 1975				478			
– Lotteries Commission Act 1990 ..				8,600			
Total appropriations provided to deliver outputs				63,774			
ADMINISTERED TRANSACTIONS							
Item 88 Amount provided for Administered Grants, Subsidies and Transfer Payments				600			
CAPITAL							
Item 171 Capital Contribution				7,959			
GRAND TOTAL				72,333			

Amount appropriated through the budget process for delivery of the outputs 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 outputs. This equals 'Appropriation provided to deliver Outputs' in the Output and Appropriation Summary (illustrated on page 7).

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).

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

OUTPUT AND APPROPRIATION SUMMARY

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

	2002-03 Actual \$'000	2003-04 Budget \$'000	2003-04 Estimated Actual \$'000	2004-05 Budget Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000	2007-08 Forward Estimate \$'000
OUTPUTS							
<i>Output 1:</i> Metropolitan and regional passenger services				56,576			
<i>Output 2:</i> Country passenger rail and road coach services				10,752			
<i>Output 3:</i> Regional school bus services				12,580			
Total Cost of Outputs				79,908			
<i>Less Revenues from Ordinary Activities</i>				16,134			
Net Cost of Outputs				63,774			
Adjustment				-			
Appropriation provided to deliver Outputs				63,774			
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				7,959			
TOTAL CONSOLIDATED FUND APPROPRIATIONS				72,333			

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

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

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

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 outputs 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 6).

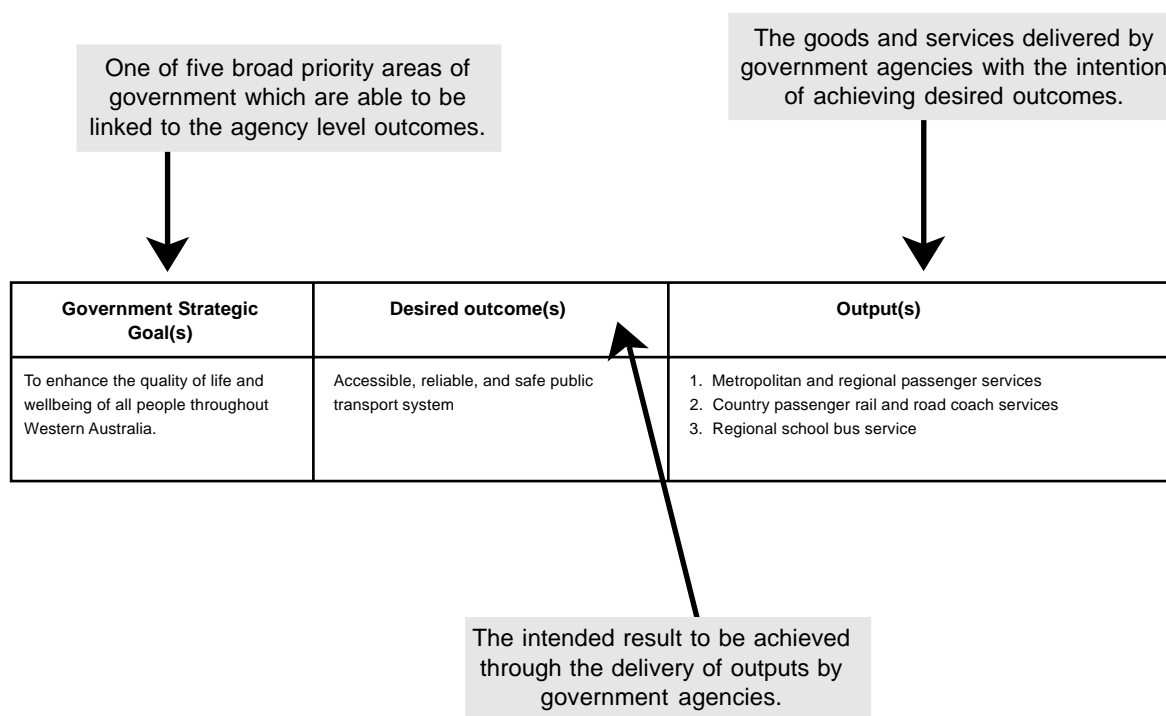
Agrees to 'Total appropriations provided to deliver outputs' in Appropriation and Forward Estimates table (illustrated on page 6).

OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

Relationship to Government Strategic Goals

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

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



OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

Outcomes and Key Effectiveness Indicators

The outcome is the desired effect or impact on the community or target clients through the delivery of output(s). Key effectiveness indicators are disclosed, providing information on the extent to which outcomes have been achieved through the funding and delivery of agreed outputs.

	2002-03 Actual	2003-04 Budget	2003-04 Estimated	2004-05 Target	Reason for Significant Variation between 2003-04 Estimated and 2004-05 Target
Outcome: Accessible, reliable, and safe public transport system					
Use of public transport					
Service reliability – percentage on time running of services					
Level of overall customer satisfaction					
Customer perception of safety – all services					
Level of notifiable safety incidents					



Audited Key Effectiveness Indicators.

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

OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

Output Performance Measures

Measures of *quantity*, *quality*, *timeliness* and *cost (efficiency)* are required for each output (2002-03 Actual, 2003-04 Budget and Estimated Actual, and 2004-05 Target). The *quantity* measures describe outputs in terms of how much or how many units are planned to be delivered. *Quality* measures usually reflect service standards based on customer needs and include the dimensions of accuracy, completeness, accessibility and acceptability. The *timeliness* measures provide parameters for how often or within what time frame outputs are to be delivered. *Cost (efficiency)* measures reflect the full accrual cost of delivering each output. Most cost measures are presented as the cost per unit of output, which forms the basis of the efficiency indicators. Details of *Full Time Equivalents* are provided for each output.

	2002-03 Actual	2003-04 Budget	2003-04 Estimated	2004-05 Target	Reason for Significant Variation between 2003-04 Estimated and 2004-05 Target
Quantity					
Use of public transport – passengers per service kilometre:					
– Transperth bus operations	1.18			1.20	
– Transperth train operations	4.89			4.90	
Quality					
Customer satisfaction index					
– Transperth bus operations	84%			80%	
– Transperth train operations	92%			92%	
Customer perception of safety					
– On-board train - daytime	90%			95%	
– On-board train - nighttime	59%			70%	
– On-board bus - daytime	98%			98%	
Timeliness					
Bus services arriving no later than 4 minutes of scheduled time	92.90%			90.0%	
Trains arriving within 3 minutes of scheduled time	97.44%			97.5%	
Cost (Efficiency)					
Total cost per passenger kilometre:					
– Transperth bus operations	\$0.51			\$0.56	
– Transperth train operations	\$0.50			\$0.58	
Total cost per 1,000 place kilometre:					
– Transperth bus operations	\$52.05			\$58.00	
– Transperth train operations	\$53.59			\$62.00	
Full Time Equivalents (FTEs)	660	807	808	840	

Cost x quantity equals, in a material sense, the gross cost of the output.

Recognition that cost can be a measure of efficiency.

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.

	2002-03 Actual \$'000	2003-04 Budget \$'000	2003-04 Estimated Actual \$'000	2004-05 Budget Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000	2007-08 Forward Estimate \$'000
Agrees to the total of the Capital Works Program.							
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
Total Cost of Capital Works Program				9,277			
Working capital requirement							
Loan repayments				912			
LESS							
Borrowings				2,130			
Funding included in output appropriations .				-			
Drawdowns from the Holding Account				100			
Internal Funds and Balances				-			
Capital Contribution				7,959			

Loan repayments are capital transactions not included in the cost of outputs. They affect only the Statement of Financial Position.

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 outputs'. To also include such funding in the capital contribution would be a duplication.

STATEMENT OF FINANCIAL PERFORMANCE

The Statement of Financial Performance presents information on expenses and revenues, and the resulting net cost of government'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, which is set in accordance with the *Government Financial Responsibility Act*.

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 Statement of Financial Performance 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 Statement of Financial Performance differ from similarly categorised payments for operating activities in the Statement of Cash Flows.

Depreciation and amortisation is another expense category reported in the Statement of Financial Performance. 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 Statement of Cash Flows.

Revenues are earnings 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 Statement of Financial

Performance may differ from Receipts from operating activities in the Statement of Cash Flows.

The difference between **expenses from ordinary activities** and **revenues from ordinary activities** is known as the **net cost of services**. This amount matches the amount shown against net cost of outputs contained in the Output and Appropriation Summary table. Net cost of services is a key monitoring point for agencies – a change in net cost of services directly impacts on the Government's net operating balance.

Revenues from State Government mainly comprise the appropriations for outputs (recurrent services) approved by Parliament. Appropriations for capital contributions are not shown in this statement. Ideally, total revenues 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 **revenues from State Government** is their operating result, also known as **change in equity**.

There may be isolated cases where agencies also have **changes in equity arising from restructuring** (such as machinery of government changes) and **extraordinary items**. Changes in equity arising from restructuring have no impact on appropriation revenue – 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.

STATEMENT OF FINANCIAL PERFORMANCE (Controlled)

	2002-03 Actual \$'000	2003-04 Budget \$'000	2003-04 Estimated Actual \$'000	2004-05 Budget Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000	2007-08 Forward Estimate \$'000
COST OF SERVICES							
Expenses from ordinary activities							
Employee expenses				26,394			
Supplies and services				12,869			
Depreciation and amortisation				6,056			
Interest				3,073			
Capital User Charge				5,000			
Grants and subsidies				7,206			
Other expenses				19,310			
TOTAL COST OF SERVICES				79,908			
Revenues from ordinary activities							
User charges and fees				10,244			
Interest				890			
Proceeds from disposal of non-current assets				-			
Grants and subsidies				2,000			
Other revenue				3,000			
Total Revenues from Ordinary Activities				16,134			
NET COST OF SERVICES				63,774			
REVENUES FROM STATE GOVERNMENT							
Output Appropriations				63,774			
Resources received free of charge				-			
TOTAL REVENUES FROM STATE GOVERNMENT				63,774			
Change in Equity arising from restructuring				-			
CHANGE IN EQUITY RESULTING FROM OPERATIONS				-			
Extraordinary Items				-			
CHANGE IN EQUITY AFTER EXTRAORDINARY ITEMS				-			

Details of accrual operating costs in the financial year.

Accrual revenues of the agency that are retained by the agency and applied to the delivery of outputs.

Accrual net cost of agency services in the financial year.

Total amount appropriated to the agency to deliver outputs. This agrees to the total in the Appropriation and Forward Estimates table (illustrated on page 6).

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

Agencies may be subject to restructuring involving transfers of assets and liabilities to and from the agency. This represents the net change relating directly to restructuring as opposed to normal operations.

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

Certain items of revenue and expenditure are deemed by Accounting Standards to be extraordinary when they are outside ordinary operating activities and not likely to recur.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position 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 Statement of Financial Position 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 obligations that are required to 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/(deficit)** – the accumulation of operating results (from the Statement of Financial Performance) over the life of the entity.
- **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.

STATEMENT OF FINANCIAL POSITION (Controlled)

	2002-03 Actual \$'000	2003-04 Budget \$'000	2003-04 Estimated Actual \$'000	2004-05 Budget Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000	2007-08 Forward Estimate \$'000
CURRENT ASSETS							
Cash				15,857			
Restricted cash				1,756			
Receivables				1,360			
Inventories				774			
Prepayments				208			
Amounts receivable for outputs				150			
Other				330			
Total current assets				20,435			
NON-CURRENT ASSETS							
Amounts receivable for outputs				7,032			
Land and buildings				121,495			
Other financial assets (Investments)				2,479			
Plant, equipment and vehicles				6,482			
Infrastructure				60,494			
Other				400			
Total non-current assets				198,382			
TOTAL ASSETS				218,817			
CURRENT LIABILITIES							
Provision for employee entitlements				3,331			
Payables				1,262			
Interest bearing liabilities				1,221			
Interest payable				999			
Finance leases				1,506			
Other liabilities				7,101			
Total current liabilities				15,420			
NON-CURRENT LIABILITIES							
Provision for employee entitlements				2,920			
Superannuation				11,675			
Interest bearing liabilities				20,965			
Total non-current liabilities				35,560			
TOTAL LIABILITIES				50,980			
EQUITY							
Contributed equity				7,959			
Accumulated surplus/(deficit)				83,337			
Asset revaluation reserve				23,669			
Other reserves				52,872			
Total equity				167,837			
TOTAL LIABILITIES AND EQUITY				218,817			

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.

Accumulated balance over time of the 'Change in Equity after Extraordinary Items' from the Statement of Financial Performance.

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.

STATEMENT OF CASH FLOWS

Cash receipts and cash payments are recorded in the Statement of Cash Flows. 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 on the government's net debt financial target.

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

The cash component of the appropriation for outputs will differ from the appropriation revenue shown in the Statement of Financial Performance 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 revenues and expenses from ordinary activities shown in the Statement of Financial Performance. Categories are similar in nature – the difference is that amounts are not recorded in the Statement of

Cash Flows until revenues are 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 Statement of Financial Performance. Any profit or loss on the disposal of an asset is also recorded in the Statement of Financial Performance.

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 Statement of Financial Position.

STATEMENT OF CASH FLOWS (Controlled)

	2002-03 Actual \$'000	2003-04 Budget \$'000	2003-04 Estimated Actual \$'000	2004-05 Budget Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000	2007-08 Forward Estimate \$'000
CASH FLOWS FROM STATE GOVERNMENT							
Output Appropriations				56,492			
Capital Contribution				7,959			
Holding Account Drawdowns				100			
Net cash provided by State government				64,551			
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee costs				(23,276)			
Superannuation				(1,280)			
Supplies and services				(15,079)			
Accommodation				(7,840)			
Borrowing costs				(2,946)			
Capital User Charge				(13,000)			
Grants and subsidies				(6,519)			
Goods and Services Tax				(6,000)			
Other				(3,000)			
Receipts							
User charges and fees				9,879			
Interest				790			
Grants and subsidies				2,000			
Goods and Services Tax				6,000			
Other				4,427			
Net cash from operating activities				(55,844)			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of non-current assets				(8,417)			
Purchase of investments				(760)			
Proceeds from the sale of non-current assets				1			
Net cash from investing activities				(9,176)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from borrowings				2,130			
Repayment of borrowings				(912)			
Net cash from financing activities				1,218			
NET INCREASE/ (DECREASE) IN CASH HELD				749			
Cash assets at the beginning of the reporting period				16,864			
Cash assets at the end of the reporting period				17,613			

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 revenues in the Statement of Financial Performance.

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.

Other Sources of Information

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

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 strategic goals for government that contribute to achieving its vision. Each goal is supported by a set of government strategic outcomes. Agency level desired outcomes are required to link to one or more of these higher level goals of government.

PREPARING PERFORMANCE INDICATORS – A PRACTICAL GUIDE (APRIL 1997)

The guide provides users with a practical tool for developing performance indicators and is supplementary to other guidance on performance indicators offered by the Office of the Auditor General and on Output Based Management released by the Department of Treasury and Finance.

OUTPUT BASED MANAGEMENT (OBM) – GUIDELINES TO ASSIST AGENCIES (JULY 1996)

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 OBM performance based management framework. The Department of Treasury and Finance is currently in the process of updating the existing guidelines.

DEPARTMENT OF TREASURY AND FINANCE WEBSITE

This web site includes publications produced by the Department, including the 2004-05 Budget Papers, as well as general information on the latest financial management issues and policy developments.

Internet address:<http://www.dtf.wa.gov.au>

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 revenues, 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 outputs.
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 outputs	A restricted asset on an agency's statement of financial position that can only be used for asset replacement or payment of accrued leave liability.
appropriation	Parliamentary authorisation of agency expenditure. The budget process includes 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 revenues/ expenses/assets/liabilities	Functions and activities over which an agency has 'control' and is able to use to achieve its outcomes through delivery of outputs.
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 outputs.
efficiency indicator	A performance indicator that relates outputs to the level of resource inputs required to produce them.
equity	The residual interest in the assets of an entity after the deduction of liabilities.
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.
<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 Strategic Goals	The broad priority areas of Government to which agency level outcomes are expected to be linked.
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 outputs.
operating surplus/deficit	Difference between revenues and expenses for the year on the statement of financial performance.
outcome	The intended result, effect or impact, to be achieved through the delivery of outputs by government agencies.
output	The services which are delivered by government agencies in order to achieve desired outcomes.
output based management	The process whereby agencies are funded and have their performance assessed on the basis of the outputs they deliver and the outcomes they achieve.
performance measures	Units of measurement used to determine and assess delivery of outputs. They measure the quantity, quality, timeliness and cost of all outputs.
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 outputs to be delivered, the outcomes to be achieved and the financial plan of the agency.