



2012-13

# Budget

**Reader's Guide**

to the 2012-13 Budget Statements

**2012-13 Budget Paper** set includes:

Budget Paper No. 1 – Budget Speech

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

Budget Paper No. 3 – Economic and Fiscal Outlook

Budget Overview

Reader's Guide to the 2012-13 Budget Statements (Available electronically from <http://ourstatebudget.wa.gov.au>)



# **2012-13 BUDGET**

## **READER'S GUIDE**

**TO THE 2012-13 BUDGET STATEMENTS**

**Reader's Guide to the 2012-13 Budget Statements**

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For further information please contact:

Department of Treasury

Locked Bag 11 Cloisters Square WA 6850

Telephone: +61 8 6551 2777

Facsimile: +61 8 6551 2500

Email: [info@treasury.wa.gov.au](mailto:info@treasury.wa.gov.au)

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

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# What is in the Budget Papers?

## **BUDGET PAPER NO. 1 – 2012-13 BUDGET SPEECH**

This is the budget speech delivered in Parliament by the Treasurer on 17 May 2012. It outlines the priorities of the Government for the budget year and is the formal second reading of the Recurrent Appropriation Bill.

## **BUDGET PAPER NO. 2 – 2012-13 BUDGET STATEMENTS**

This paper supports the Appropriation Bills and provides details in relation to the amounts appropriated. It provides financial and performance information for agencies receiving appropriations from the Consolidated Account. It comprises the following chapters:

### **Chapter 1 – Consolidated Account Expenditure Estimates**

Summarises appropriations from the Consolidated Account. The item numbers in this chapter correspond to the Appropriation Bills presented to Parliament. Chapter 1 also gives a summary view of past appropriations plus estimated forward projections.

### **Chapter 2 – Net Appropriation Determinations**

Summarises the revenue retained by agencies under net appropriation determinations. These determinations allow the agencies to retain certain revenue received and to apply that revenue towards the delivery of services as specified in Chapter 3.

### **Chapter 3 – Agency Information in Support of the Estimates**

Presents detailed financial and performance information by agency consistent with summary level information as per Chapters 1 and 2.

## **BUDGET PAPER NO. 3 – 2012-13 ECONOMIC AND FISCAL OUTLOOK**

This paper analyses the fiscal position of, and forecast results for, the public sector. It does so at a whole-of-government level as well as for the components of the public sector – the general government sector, public financial corporations and public non-financial corporations. It assesses the budget aggregates (such as the general government sector net operating balance) against the Government's financial targets.

A glossary of terms frequently used in the Budget Papers can be found at the back of this document.

# Budget Paper No. 2

## INTRODUCTION

Budget Paper No. 2 supports the Appropriation Bills and provides detail in relation to the amounts appropriated. It provides financial and performance information for government agencies that operate primarily with Parliamentary appropriation funding (thereby receiving funds from the Consolidated Account). Public non-financial corporations, public financial corporations and agencies not fully funded by Parliamentary appropriation report only their Asset Investment Program.

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 sustainable services into the future.

Financial data presented in the 2012-13 Budget Papers are based on data collected from the State's public sector agencies using Australian equivalents to International Financial Reporting Standards.

The 2012-13 Budget Papers reflect recent government portfolio/structural changes (Machinery of Government), as well as improvements to the Outcome Based Management (OBM) structures of some agencies.

## BUDGET PAPER NO. 2 – CHAPTER 3

Agency details are arranged by Ministerial portfolio, and include activity and performance projections for 2012-13. The presentation structure for a government agency is listed below:

- Appropriations, Expenses and Cash Assets;
- Major spending changes;
- Resource Agreement;
- Outcomes, Services and Key Performance Information:
  - Relationship to Government Goals;
  - Service Summary;
  - Significant Issues Impacting the Agency;
  - Outcomes and Key Effectiveness Indicators; and
  - Services and Key Efficiency Indicators.
- Asset Investment Program;
- Financial Statements:
  - Income Statement;
  - Details of Controlled Grants and Subsidies;
  - Statement of Financial Position; and
  - Statement of Cashflows.

- Reconciliation relating to major Functional Transfers and Accounting Policy Changes;
- Details of Administered Transactions;
- Agency Special Purpose Account Details; and
- Net Appropriation Determination.

**ILLUSTRATIVE EXAMPLE**

The purpose of presenting the following illustrative budget tables is to assist readers with understanding Budget Paper No. 2 – Chapter 3 (agency information in support of the estimates). The illustration demonstrates specific examples of the information contained within the Budget Statements at agency level.

# Illustrative Budget Tables

These are disclosed at agency level in Chapter 3 of Budget Paper No. 2  
(public non-financial corporations and public financial corporations  
or 'capital works only' agencies do not show this level of detail)

## APPROPRIATIONS, EXPENSES AND CASH ASSETS

Provides an overview of an agency's allocations in respect to recurrent and capital appropriation, expenses and cash assets.

### Example 1

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>DELIVERY OF SERVICES</b>							
Item 100 Net amount appropriated to deliver services.....				189,480			
Amount Authorised by Other Statutes - Salaries and Allowances Act 1975.....				1,820			
Total appropriations provided to deliver services.....				191,300			
<b>CAPITAL</b>							
Item 200 Capital Appropriation.....				39,190			
TOTAL APPROPRIATIONS.....				230,490			
<b>EXPENSES</b>							
Total Cost of Services.....				1,476,603			
Net Cost of Services.....				197,965			
<b>CASH ASSETS</b> .....				65,249			

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

Amount appropriated, as reflected in the Recurrent Appropriation Bill, for the delivery of the services of the agency for the year.

Total Cost of Services minus agency income (as per Income Statement) and represents Total Cost of Services less agency revenue.

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

Amount appropriated, as reflected in the Capital Appropriation Bill, for increases in the operating capacity of an agency by being applied to purchase assets (Asset Investment Program) or reduce liabilities such as loan repayments.

Expenses incurred by an agency through its operating activities.

This table is for illustrative purposes only.



## MAJOR SPENDING CHANGES

Outlines material movements in recurrent expenditure since publication of the preceding year's Budget.

### *Example 2*

Details of major decisions impacting on the agency's Income Statement since publication of the 2011-12 Budget to Parliament on 19 May 2011 are outlined below.

	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Item 1.....	-	10,000	15,000	20,000	25,000
Item 2.....	-	(20,000)	-	-	-

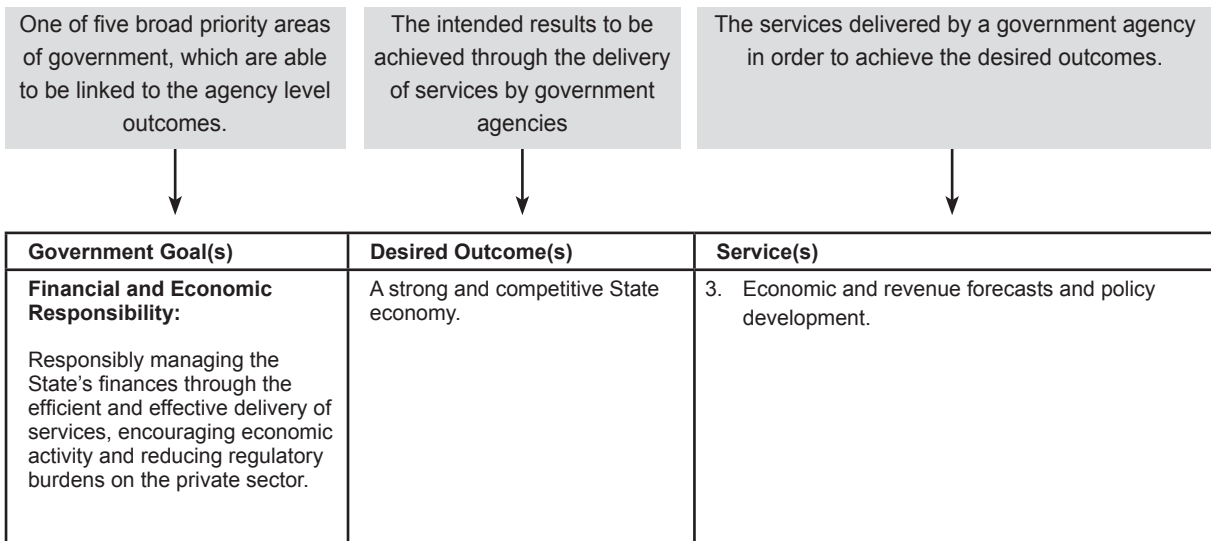
## OUTCOMES, SERVICES AND KEY PERFORMANCE INFORMATION

Provides information on the agency's progress towards achievement of government desired outcomes through the funding and delivery of services. In addition to assisting interested parties to assess agency performance in achieving desired outcome(s) and obtaining value for taxpayers' funds from services delivered, the performance information is also available to help agencies understand their own performance – facilitating strategic planning, enhancing resource management and highlighting areas for improvement.

**Relationship to Government Goals**

Demonstrates the link between the most appropriate high level government goal and the more specific agency level government desired outcome(s). Agencies are funded to deliver services and achieve the desired outcomes, which ultimately contribute to meeting the high level government goals.

**Example 3**



*This table is for illustrative purposes only.*

**Service Summary**

Provides a summary of the total cost of services (expenditure) for each service identified in an agency's Outcome Based Management structure. Information on the estimated annual cost of each service covers the period up to the budget year and across the forward estimates.

**Example 4**

Expense	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
1. Service.....				750,372			
2. Service.....				200,035			
3. Economic and revenue forecasts and policy development.....	7,534	8,488	10,205	10,439	10,761	10,885	11,174
4. Service.....				515,757			
<b>Total Cost of (all) Four Services.....</b>				<b>1,476,603</b>			

*This table is for illustrative purposes only.*

Reflects the Total Cost of Services contained in the Appropriations, Expenses and Cash Assets table (Example 1).

**Significant Issues Impacting the Agency**

Demonstrates the impact that significant issues and major achievements have had or are expected to have on the achievement of government desired outcomes, and the associated financial and non-financial (performance) targets.

Narrative contains a concise explanation of the issue, achievement or challenge and explains what the agency has done or will do and the actual or potential impact on its performance. The information is pitched at a strategic level rather than an operational or service level.

**Example 5**

**Significant Issues Impacting the Agency**

**Department of ABC**

- In these challenging financial and economic circumstances, the Department of ABC's advice to Government will focus intensely on ensuring value for money outcomes, identifying opportunities for reform in service delivery, and ensuring the State's long-term financial sustainability.

*This table is for illustrative purposes only.*

**Outcomes and Key Effectiveness Indicators**

Provides meaningful performance management information. In this regard, outcomes are defined as the effect or impact on the community or target clients of government services. Key effectiveness indicators provide information on the extent to which outcomes have been achieved through funding and delivery of agreed services. At least one audited key effectiveness indicator is required to be reported for each agency level government desired outcome disclosed in the Budget Statements. Information disclosed must be consistent with that disclosed in agency annual reports.

**Example 6**

Outcomes are the intended results to be achieved through the delivery of services.

	2010-11 Actual	2011-12 Budget	2011-12 Estimated Actual	2012-13 Budget Target	Note
<b>Outcome: A strong and competitive State economy.</b>					
Accuracy of key general government revenue forecasts:					
- Tax and mining revenue.....	-10.5%	±5%	-4.9%	±5%	
- GST revenue.....	-10.3%	±3%	2.5%	±3%	

*This table is for illustrative purposes only.*

Audited key effectiveness indicators.

**Services and Key Efficiency Indicators**

Key efficiency indicators are presented for each service and relate services to the level of resource inputs required to deliver them. They are usually expressed as a fraction, percentage or ratio. The most common indicator is cost efficiency, however other indicators may focus on service productivity, the quality of service standards or the timeliness in which services are delivered. Consistent performance information must be disclosed in agency annual reports.

**Example 7**

**Service 3: Economic and Revenue Forecasts and Policy Development**

This service involves the analysis and advice on economic and revenue policy issues, including in relation to the State's major revenue sources, competition policy and economic, social and environmental developments generally, and estimates and monitoring of Western Australia's economic performance and major revenue streams.

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Target \$'000	Note
<b>Total Cost of Service</b> .....				10,439	
<i>Less Income</i> .....				161	
<b>Net Cost of Service</b> .....				10,278	
<b>Employees (Full Time Equivalents)</b> .....				80	
<b>Efficiency Indicators</b>					
Percentage of Ministerials, Briefings or Reports Provided on Economic Issues within Agreed Timelines				90%	
Percentage of Regulatory Impact Statements Assessed within Agreed Timeframes				90%	

*This table is for illustrative purposes only.*

## ASSET INVESTMENT PROGRAM

Provides information on an agency's asset investment program for the budget year and projections for the forward estimates and is comprised solely of fixed asset purchases.

### Example 8

The Department of ABC's planned asset investment program for 2012-13 is \$224.2 million, comprising \$44.1 million for works in progress and \$180.1 million for new works. Major items under construction include:

- Program A. 1 – \$8.4 million; and
- Program A. 2 – \$35.8 million.

Capital expenditure on Program B 2012-13 (\$177.6 million) makes up most of the new works scheduled in 2012-13.

	Estimated Total Cost \$'000	Estimated Expenditure to 30-6-12 \$'000	2011-12 Estimated Expenditure \$'000	2012-13 Estimated Expenditure \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>WORKS IN PROGRESS</b>							
Project A							
Program A. 1.....				8,356			
Program A. 2.....				35,781			
<b>COMPLETED WORKS</b>							
Project B 2011-12.....			181,166	-			
<b>NEW WORKS</b>							
Project A							
Program A. 3 2012-13.....				1,445			
Project B							
Program B 2012-13.....				177,645			
<b>Total Cost of Asset Investment Program.....</b>				<b>223,227</b>			
Loan and other Repayments.....				1,000			
<b>Total.....</b>				<b>224,227</b>			
<b>FUNDED BY</b>							
Capital Appropriation.....				39,190			
Drawdowns from the Holding Account.....				92,306			
Asset Sales.....				5,992			
Internal Funds and Balances.....				83,539			
Resources Received Free of Charge from BMW.....				3,200			
Borrowings.....				-			
Other.....				-			
<b>Total Funding.....</b>				<b>224,227</b>			

*This table is for illustrative purposes only.*

## FINANCIAL STATEMENTS

Provides summary information on the net cost of the agency's activities, assets, liabilities and equity, and cash movements for each financial year. A brief commentary in support of each financial statement is also provided to assist readers in understanding and interpreting the agency's financial position. Agencies are required to publish full audited financial statements in their annual report in accordance with Australian Accounting Standards.

### *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.

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 is why expense amounts in the Income Statement may differ from similarly categorised payments for operating activities in the Statement of Cashflows.

**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 Statement of Cashflows.

**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, rather than the time at which payment is received, so revenue amounts in the Income Statement may differ from receipts from operating activities in the Statement of Cashflows. 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 Appropriations, Expenses and Cash Assets 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.

**Income from State Government** mainly comprises the appropriations for recurrent services approved by Parliament. Capital appropriations 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**.

## INCOME STATEMENT (Controlled)

**Example 9**

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>COST OF SERVICES</b>							
<b>Expenses</b>							
Employee benefits <sup>(a)</sup> .....				130,737			
Grants and subsidies .....				500			
Supplies and services.....				1,190,729			
Accommodation.....				20,436			
Depreciation and amortisation.....				106,749			
Other expenses.....				27,452			
<b>TOTAL COST OF SERVICES.....</b>				<b>1,476,603</b>			
<b>Income</b>							
Sale of goods and services.....				1,001,463			
Regulatory fees and fines.....				-			
Grants and subsidies.....				778			
Other revenue.....				276,397			
<b>Total Income.....</b>				<b>1,278,638</b>			
<b>NET COST OF SERVICES.....</b>				<b>197,965</b>			
<b>INCOME FROM STATE GOVERNMENT.....</b>							
Service appropriations.....				191,300			
Resources received free of charge.....				13,387			
Liabilities assumed by the Treasurer..				-			
Royalties for Regions Fund.....				-			
<b>TOTAL INCOME FROM STATE GOVERNMENT.....</b>				<b>204,687</b>			
<b>SURPLUS/(DEFICIENCY) FOR THE PERIOD.....</b>				<b>6,722</b>			

Details of accrual operating costs in the financial year.

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

Agrees with Total cost of services (Example 1).

Accrual net cost of agency services in the financial year. Agrees with Net cost of services (Example 1).

Represents the change in 'net worth' of the agency.

Total amount appropriated to the agency to deliver services. This equals 'Total appropriation provided to deliver services' (Example 1).

*This table is for illustrative purposes only.*

<sup>(a)</sup> The Full Time Equivalents (FTEs) for 2010-11 Actual, 2011-12 Estimated Actual and 2012-13 Budget Estimate.

## **STATEMENT OF FINANCIAL POSITION**

The Statement of Financial Position is a record of assets, liabilities and equity 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 agency's financial strength.

The equity reported in the Statement of Financial Position has a direct impact on the net worth financial target of the 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** – the accumulation of capital contribution appropriations since 2001-02 and the net value of any 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.



## STATEMENT OF FINANCIAL POSITION (Controlled)

**Example 10**

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.

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>CURRENT ASSETS</b>							
Cash assets .....				63,556			
Restricted cash.....				548			
Receivables .....				87,437			
Holding account receivables.....				6,995			
Other.....				26,129			
<b>Total current assets.....</b>				<b>184,665</b>			
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment.....				725,773			
Intangibles.....				91,345			
Holding account receivables.....				89,492			
Restricted cash.....				1,145			
Other.....				96,292			
<b>Total non-current assets.....</b>				<b>1,004,047</b>			
<b>TOTAL ASSETS.....</b>				<b>1,188,712</b>			
<b>CURRENT LIABILITIES</b>							
Payables.....				133,972			
Employee provisions.....				22,420			
Other.....				114,046			
<b>Total current liabilities.....</b>				<b>270,438</b>			
<b>NON-CURRENT LIABILITIES</b>							
Employee provisions.....				9,680			
Borrowings.....				161,716			
Other.....				29,220			
<b>Total non-current liabilities.....</b>				<b>200,616</b>			
<b>TOTAL LIABILITIES.....</b>				<b>471,054</b>			
<b>EQUITY</b>							
Contributed equity.....				270,480			
Accumulated surplus/(deficit).....				194,550			
Reserves.....				252,628			
<b>Total equity.....</b>				<b>717,658</b>			
<b>TOTAL LIABILITIES AND EQUITY.....</b>				<b>1,188,712</b>			

The accumulated balance of capital contributions.

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 CASHFLOWS**

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

The net cash movements in this statement impact on the Government's net debt financial target.

The **Cashflows from State Government** item is the cash component of the appropriation for 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. 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 **Cashflows from operating activities** relate closely to income and expenses from operating activities. These categories are similar in nature – the difference is that amounts are not recorded in the Statement of Cashflows until income is actually received or expenses are actually paid.

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

**Cashflows from financing activities** relate mainly to borrowings. Any new borrowings are recorded as proceeds from borrowings. Repayments of existing debt are also recorded here.

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. **Cash assets at the end of the reporting period** match the total of cash assets shown in the Statement of Financial Position.

## STATEMENT OF CASHFLOWS (Controlled)

**Example 11**

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>CASHFLOWS FROM STATE GOVERNMENT</b>							
Service appropriations.....				162,282			
Capital appropriations.....				39,190			
Holding account drawdowns.....				5,992			
Royalties for Regions Fund.....				-			
<b>Net cash provided by State Government</b>				<b>207,462</b>			
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee benefits.....				(128,391)			
Grants and subsidies.....				(500)			
Supplies and services.....				(1,183,804)			
Accommodation.....				(20,261)			
Other payments.....				(163,723)			
<b>Receipts</b>							
Sale of goods and services.....				1,169,100			
GST Receipts.....				136,511			
Grants and subsidies.....				778			
Other receipts.....				108,636			
<b>Net cash from operating activities.....</b>				<b>(81,654)</b>			
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of non-current assets.....				(224,227)			
Proceeds from sale of non-current assets.....				92,306			
Other.....				-			
<b>Net cash from investing activities.....</b>				<b>(131,921)</b>			
<b>NET INCREASE (DECREASE) IN CASH HELD</b>							
Cash assets at the beginning of the reporting period.....				(1,175)			
Net cash transferred to/from other agencies.....				72,003			
				(3,111)			
<b>Cash assets at the end of reporting period.....</b>				<b>65,249</b>			

Cash received by the agency from appropriations and drawdowns from the holding account and Royalties for Regions Fund (if applicable).

Cashflows 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.

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

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. Agrees to Cash Assets (Example 1).

*This table is for illustrative purposes only.*

## RECONCILIATION RELATING TO MAJOR FUNCTIONAL TRANSFERS AND ACCOUNTING POLICY CHANGES\*

This table is used to reconcile an agency's financial statements and performance information for machinery of government changes and/or accounting policy changes where the financial statements have not been backdated to reflect the changes.

### Example 12

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>EXPENSES</b>							
Total Cost of Services as per Income Statement.....				1,476,603			
<i>Add Transfer from Department of DEF.....</i>				200			
<i>Minus Transfer to Department of XYZ.....</i>				200			
Adjusted Total Cost of Services.....				1,476,603			
<b>APPROPRIATIONS</b>							
Net Amount Appropriated to Deliver Services.....				191,300			
<i>Add Transfer from Department of DEF.....</i>				200			
<i>Minus Transfer to Department of XYZ.....</i>				200			
Adjusted Net Amount Appropriated to Deliver Services.....				191,300			

*This table is for illustrative purposes only.*

Agrees with the Total amount appropriated to agency to deliver services (Example 1).

Agrees with the Total Cost of Services as per the Income Statement.

\* Where there is a Machinery of Government/functional change within agencies there are two different ways of reflecting it in the Budget Statements. When a change is significant and material the performance information and financial statements are backcast. If the change is minor the performance information is backcast and a reconciliation of the financial statements is conducted within the above reconciliation table.

## DETAILS OF ADMINISTERED TRANSACTIONS

This table outlines revenues/expenses that are managed by the agency on behalf of government.

### Example 13

	2010–11 Actual \$'000	2011–12 Budget \$'000	2011–12 Estimated Actual \$'000	2012–13 Budget Estimate \$'000	2013–14 Forward Estimate \$'000	2014–15 Forward Estimate \$'000	2015–16 Forward Estimate \$'000
<b>INCOME</b>							
Fines.....				150,000			
Application Fees.....				10,800			
Licensing Fees.....				450,000			
<b>TOTAL INCOME.....</b>				<b>610,800</b>			
<b>EXPENSES</b>							
Other Expenses.....				110,800			
Payments to Consolidated Account....				500,000			
<b>TOTAL EXPENSES.....</b>				<b>610,800</b>			

*This table is for illustrative purposes only.*

## SPECIAL PURPOSE ACCOUNT DETAILS

This table details the relevant Act associated with the special purpose account and how the account is utilised.

### Example 14

	2010–11 Actual \$'000	2011–12 Budget \$'000	2011–12 Estimated Actual \$'000	2012–13 Budget Estimate \$'000
Opening Balance.....	10	10	10	10
Receipts:				
Appropriations.....	1,982	500	500	500
Other.....	-	1,600	600	1,200
	1,992	2,110	1,110	1,710
Payments .....	1,982	2,100	1,100	1,710
<b>Closing Balance .....</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

*This table is for illustrative purposes only.*

## NET APPROPRIATION DETERMINATION

This table details the revenues agencies are permitted to keep and apply to agency services under the *Financial Management Act 2006*.

### Example 15

	2010-11 Actual \$'000	2011-12 Budget \$'000	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Registration Fees.....				1,300			
Temporary Permits.....				1,500			
Other Receipts.....				400			
<b>TOTAL .....</b>				<b>3,200</b>			

*This table is for illustrative purposes only.*

# Glossary

<b>Australian Bureau of Statistics Government Finance Statistics manual</b>	The Australian Bureau of Statistics' publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005</i> . This manual contains a comprehensive and definitive guide to the classification of financial aggregates for National Accounts and Government Finance Statistics (GFS) purposes. The manual is very detailed and outlines classifications to a level far beyond the depth of public sector disclosures by Australian jurisdictions. Application of the manual determines classifications which address questions such as 'what is a tax?', 'what is net debt?', etc.
<b>Accrual accounting</b>	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.
<b>Asset Investment Program</b>	Total public sector purchases of non-financial assets (i.e. the State's infrastructure program).
<b>Average Weekly Earnings</b>	Average Weekly Earnings statistics represent the average (before tax) earnings of all employees, including payments for overtime, but not payments in kind or other benefits such as superannuation.
<b>Balance sheet</b>	A financial statement that presents the financial position of a sector by detailing the stock of assets, liabilities and equity at the end of a reporting period.
<b>Cashflow statement</b>	A financial statement that presents a summary of all cash receipts and payments for a sector in a reporting period.
<b>Cashflow from operating activities</b>	Receipts and payments of cash relating to a reporting entity's operating activities.
<b>Cashflow from investing activities</b>	Relates to the purchase or sale of assets, such as land, buildings and equipment.
<b>Cash surplus/deficit</b>	Reported in the cashflow statement, the cash surplus/deficit measures the net impact of cashflows (excluding financing activities) during the period. It equals net cashflows from operating activities (things, that agencies do on a daily basis as part of their operations) plus net cashflows from the acquisition and disposal of non-financial assets (i.e. infrastructure activities), less distributions paid (i.e. dividends), and for Government Finance Statistics purposes at whole-of-government level, less the value of assets acquired under finance leases and similar arrangements. The Commonwealth refers to this aggregate as the 'underlying cash balance' in its publications and is that tier of government's headline budget measure. A surplus is generally consistent with declining net debt while a deficit indicates a need for more borrowing.
<b>Chain Volume Measures</b>	Refers to indicators of 'real' or 'constant price' activity, which abstract from the effect of changes in economy-wide prices over time.
<b>Capital transfers</b>	Capital transfers occur when an asset (other than cash and inventories) is transferred to the recipient or when the recipient is provided with money to acquire a new asset. Transfers are mainly in the form of grants.

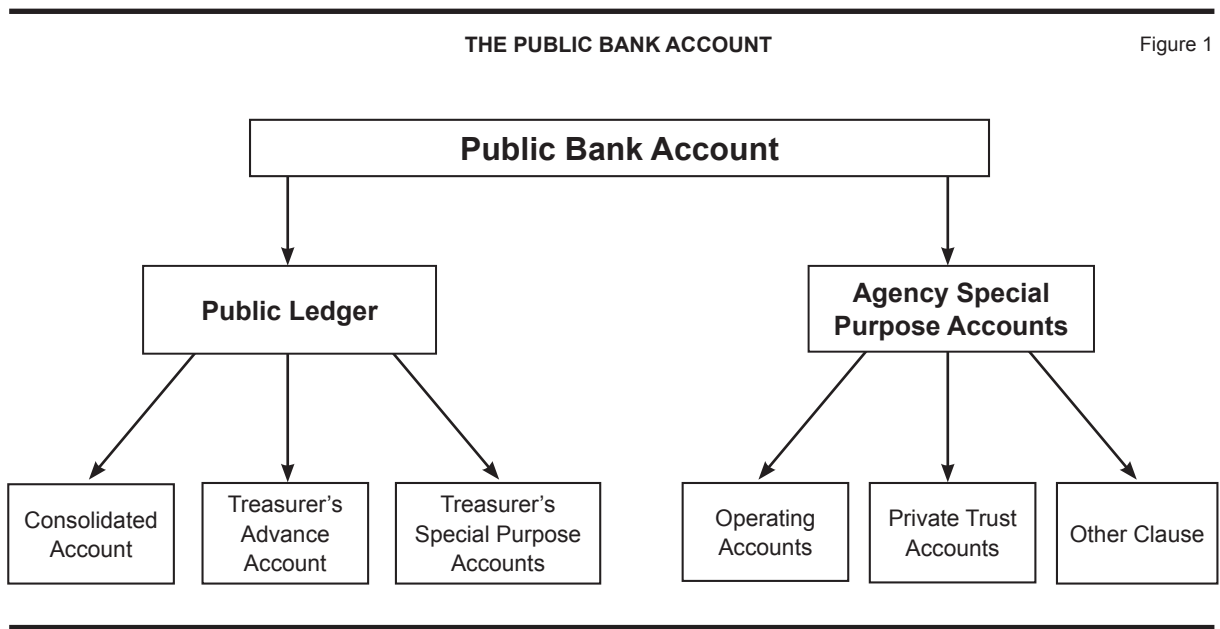
<b>Consolidated Account</b>	The <i>Constitution Act 1889</i> creates the Consolidated Account. Under section 64 of the <i>Constitution Act 1889</i> , all moneys due to the State from taxes, charges, imposts, etc. that are not hypothecated by separate legislation must be credited to the Consolidated Account and can only be expended if authorised by an <i>Appropriation Act</i> . The legislation does not impose any restrictions on the purposes for which the Consolidated Account may be appropriated. See also Public Bank Account below.
<b>Consumer Price Index</b>	The Consumer Price Index (CPI) measures changes in the price of a 'basket' of good and services purchased by households. Growth in the CPI is often used as a benchmark estimate of inflation.
<b>Contingent asset</b>	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised on the balance sheet. For example, the State may expect to receive a cash benefit if it delivers on various obligations in the future.
<b>Contingent liability</b>	A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non occurrence of one or more uncertain future events. Contingent liabilities are not recorded on the balance sheet. Examples include item covered by government guarantees, sureties and indemnities.
<b>Convergence difference</b>	The difference between the amounts recognised in the financial statements compared with the amounts determined for Government Finance Statistics purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.
<b>Current Prices</b>	Refers to estimates of economic activity that are expressed in terms of the prices of the period to which the observation relates. In other words, current price estimates have not been adjusted for the effects of price movements over time.
<b>Current transfers</b>	The provision of something of value for no specific return or consideration (e.g. grants, subsidies and donations).
<b>Employment</b>	Employment is defined as all people aged 15 years and over who are engaged in one or more hours of work during the survey period. It includes people who are temporarily absent from work.
<b>Expenses</b>	Expenses are defined as transactions that reduce net worth. They represent the cost of operating. Purchases of services (other than those that are capitalised as infrastructure) are expenses because the services are consumed when provided and net worth is reduced by the cost of the services. For example, the purchase of labour services (commonly known as 'salaries') is an expense.
<b>Finance lease</b>	Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset). For example, public sector agencies often lease buildings, vehicles, etc. and record such leased assets on their balance sheets. All related costs and the total remaining lease liability is also recorded in the financial statements. Public Private Partnerships are often recognised as finance lease arrangements. Finance leases are treated as government debt on the State's balance sheet.



<b>Financial asset</b>	<p>Any asset that is:</p> <ul style="list-style-type: none"> <li>• cash;</li> <li>• an equity instrument of another entity;</li> <li>• a contractual right: <ul style="list-style-type: none"> <li>– to receive cash or another financial asset from another entity; or</li> <li>– to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or</li> </ul> </li> <li>• a contract that will or may be settled in the entity's own equity.</li> </ul> <p>Examples include cash at the bank, loans to third parties, accounts receivable, etc. Infrastructure holdings are not financial assets.</p>
<b>Financial Management Act 2006</b>	<p>The Act sets out the framework for public sector budgeting in Western Australia.</p>
<b>Fiscal aggregates</b>	<p>Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy which includes the presentation of net operating balance, net lending/borrowing (referred to by the Commonwealth as the fiscal balance), change in net worth (comprehensive result), net worth, cash surplus/deficit, net debt and net financial liabilities.</p>
<b>Forward estimates</b>	<p>Estimates of future years. 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.</p>
<b>Full time equivalent (FTE)</b>	<p>One FTE is equivalent to one person working full time for one financial year.</p>
<b>General government sector</b>	<p>Defined in GFS as an entity or group of entities which are mainly engaged in the production of goods and/or services outside the normal market mechanism. General government goods and services are largely provided free of charge or at nominal charges well below costs of production. Government departments are usually recognised as general government sector agencies.</p>
<b>Government Finance Statistics</b>	<p>Refers to statistics and classification methodology that measures the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. GFS in Australia are developed and maintained by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards developed, in consultation with member countries, by the International Monetary Fund.</p>
<b>Government Purpose Classification</b>	<p>Classifies financial aggregates by the purpose served such as health, education, law and order, etc. State government disclosures usually focus on general government recurrent spending by Government Purpose Classification (i.e. expenses).</p>
<b>Gross State Income</b>	<p>Gross State Income is a measure of the real purchasing power of income generated within a State. It is calculated by adjusting the chain volume measure of GSP for changes in the terms of trade.</p>
<b>Gross State Product (GSP)</b>	<p>GSP measures the value of all final goods and services produced within a State. GSP is a common measure of economic growth.</p>
<b>Key fiscal aggregates</b>	<p>Financial aggregates that are important for analysis purposes, including assessing the impact of a government and its sectors on the economy. For example, the net operating balance, net debt, etc.</p>
<b>Labour Force</b>	<p>All people aged 15 years and over who are willing and available to work, comprising both the employed and the unemployed.</p>

<b>National partnership payment (NPP)</b>	A Commonwealth government grant to a State and/or Territory to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each NPP is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.
<b>Net cashflows from investments in financial assets (liquidity management purposes)</b>	Includes cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and/or with the aim of earning a commercial rate of return.
<b>Net cashflows from investments in financial assets (policy purposes)</b>	Includes cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by Government policies such as encouraging the development of certain industries or assisting citizens affected by particular events.
<b>Net cashflows from operating activities</b>	Cash received from taxes, grants and subsidies, sales of goods and services, interest, dividends and tax equivalents, less the cash paid for day to day activities (wages, salaries and goods and services). Capital sales or acquisitions (infrastructure spending) are not included as operating activities. This is the cash equivalent of the net operating balance on the operating statement.
<b>Net debt</b>	Net debt measures the public sector's net stock of selected gross financial liabilities less liquid financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements. This is a key credit rating aggregate and an indicator of the sustainability and affordability of Government policy.
<b>Net financial liabilities</b>	Net financial liabilities are a wider measure of balance sheet liabilities than net debt. Standard and Poor's defines net financial liabilities as net debt (excluding advances payable) plus unfunded superannuation liabilities. Standard and Poor's assesses the ratio of net financial liabilities as a share of revenue for the total non-financial public sector as part of a suite of measures when assessing credit ratings. It is used in this from as an indicator of affordability of State obligations and the sustainability of Government policy. Standard and Poor's has set a trigger threshold of 90% for Western Australia. All other factors being equal, a breach in this threshold could trigger a reassessment of risk ratings. The Australian Bureau of Statistics has a similar concept, which it defines slightly differently (and as a result, the Bureau's aggregate can be higher than the Standard and Poor's concept).
<b>Net lending/borrowing</b>	An operating statement measure that differs from the net operating balance in that it includes spending on infrastructure items. The net lending/borrowing measure more accurately reflects the cash requirements of the public sector in any given year. A net lending (referred to as a fiscal surplus in Commonwealth budget documents) position indicates that the public sector is saving more than enough to finance all its investment spending and generally will be reducing net debt. A net borrowing (or fiscal deficit) position indicates that the public sector's level of investment is greater than its level of savings (indicating a need for borrowing).
<b>Net operating balance</b>	This is calculated as revenue less expenses from operating transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions. This is the Western Australian's Government headline budget measure for the general government sector.

- Net worth** This provides a relatively comprehensive picture of the public sector's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. The general government sector owns all the net assets of the public corporations and thus net worth of the general government is the same as for the whole of government. The change in net worth is the preferred measure for assessing the sustainability of government financial activities.
- Nominal Prices** See Current Prices.
- Operating statement** A financial statement that presents the operating performance of a reporting entity by detailing all items of revenue and expense recognised as they accrue during a reporting period. Cashflows for these accruing operating activities may occur in the same or subsequent reporting period.
- Other economic flows** The change in the volume or value of assets and liabilities that does not result from operating activities.
- Participation Rate** The Australian Bureau of Statistics defines the participation rate as the ratio of the labour force to the total civilian population aged 15 years and over.
- Some countries and organisations, including the OECD, estimate the participation rate as the ratio of the labour force to the population aged between 15 years and 64 years.
- Public Bank Account** The Public Bank Account (PBA) is administered by the Department of Treasury and forms the central bank account of the Government of Western Australia. The PBA is created by the *Constitution Act 1889* and the *Financial Management Act 2006*. The PBA is divided into component parts including the Consolidated Accounts. The following chart shows the general structure of the PBA.



Cash assets held in the PBA are invested in short term, low risk instruments by the Western Australia Treasury Corporation.

<b>Public corporations</b>	Those agencies that do not primarily operate with Parliamentary appropriation funding. They comprise public financial corporations and public non-financial corporations (see below).
<b>Public financial corporations sector</b>	The sector comprises government controlled entities mainly engaged in financial activities, such as providing banking and insurance services. The most significant PFC agencies in Western Australia are the Western Australian Treasury Corporation, the Insurance Commission of Western Australia and Keystart.
<b>Public non-financial corporations sector</b>	The PNC sector comprises those non-financial public sector agencies engaged mainly in the production of goods and services for sale in the market and whose objective is to recover at least a significant proportion of operating costs through charges for their goods and services. This includes ports, electricity and water utilities, the Public Transport Authority, Gold Corporation, etc.
<b>Public Private Partnerships</b>	A term used to describe a method of procuring government infrastructure and associated services through private sector involvement. Public Private Partnership (PPPs) create opportunities with the private sector for increasing investment in social and economic infrastructure. The accounting rules for PPPs are complex and are based on case by case circumstances. However, they often result in recognition of a finance lease for the public sector balance sheet (which is a component of net debt).
<b>Revenue</b>	Revenue is defined as operating transactions that increase net worth. Examples include tax collections, Commonwealth grants, royalty income, fees for goods and services, etc.
<b>Sale of goods and services</b>	Refers to revenue from the direct provision of goods and services, and includes fees and charges for the supply of services, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.
<b>State Final Demand (SFD)</b>	SFD is a component of GSP. It measures domestic economic activity, and is comprised of household private consumption, dwelling investment, business investment and public consumption and investment. SFD excludes net interstate and overseas trade (i.e. exports minus imports) and changes in inventories.
<b>Superannuation – concurrent cost (expense)</b>	This aggregate generally includes current service costs of employees, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered to be valuation changes rather than expenses.
<b>Superannuation – interest cost (expense)</b>	Represents the carrying cost of unfunded superannuation liabilities. Unfunded superannuation is essentially a debt owing to employees. Part of the annual valuation of these 'debts' includes the carrying (or interest) cost. The State of Western Australia now concurrently funds the superannuation costs of its employees (since 1998-99). As a result, superannuation interest costs are anticipated to decline over the next three decades as unfunded entitlements are gradually paid out.
<b>Tax equivalents regime</b>	The mechanism to ensure that public corporations incur similar tax liabilities (mainly income tax and local government rates) to those of privately owned organisations. This gives rise to greater parity between the cost structures of government controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.

<b>Taxation</b>	Taxation revenue represents revenue received from the State's taxpayers and includes: payroll tax, land tax, transfer duty, landholder duty, Metropolitan Region Improvement Tax, Emergency Services Levy, Loan guarantee fees, Lotteries Commission, video lottery terminals, casino tax, betting tax, insurance duty, vehicle licence duty, permits for oversized vehicles and loads, motor vehicle recording fee, motor vehicle registrations, and other taxes. Taxes are characterised by a revenue that has no proportional direct cost.
<b>Terms of Trade</b>	The ratio of export prices to import prices. An increase in terms of trade indicates that a larger volume of imports can be purchased with a given volume of exports.
<b>Total change in net worth</b>	The net result of all items of income and expense recognised for the period. This is sometimes also referred to as the 'Comprehensive Result'. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.
<b>Total non-financial assets</b>	Assets that are not 'financial assets', predominantly land and other fixed assets (i.e. infrastructure).
<b>Total non-financial public sector</b>	The sector formed through a consolidation of the general government and public non-financial corporation sectors. Alternatively, it can be viewed as the total public sector excluding public financial corporations.
<b>Unemployment</b>	People aged 15 years and over who were not employed during the survey period, but were actively looking for work.
<b>Uniform Presentation Framework (UPF)</b>	The UPF was first agreed by the Australian Loan Council in 1993. The UPF was further updated and reissued in April 2000 (to accommodate accrual accounting concepts) and again in April 2008 to incorporate changes in reporting standards such as implementation of the new accounting standard Australian Accounting Standards Board (AASB) 1049: <i>Whole Government and General Government Sector Financial Reporting</i> . The UPF specifies that the Commonwealth, State and Territory governments will present a minimum set of budget and financial outcome information in accordance with Government Finance Statistics and AASB 1049, and in an agreed format.
<b>Wage Price Index (WPI)</b>	An index of the cost of a fixed basket of jobs. WPI is designed to measure changes in wages over time for a fixed quantity and quality of labour input. Unlike the average earnings measures, WPI measures wage changes rather than levels, and is a better measure of underlying wages growth than, say, Average Weekly Earnings, as it is not affected by changes in the composition of the workforce.
<b>Whole-of-government financial report</b>	A public sector financial report prepared in accordance with Australian Accounting Standards and that separately recognises assets, liabilities, income, expenses and cashflows of a reporting entity.

# Reader's Guide

to the 2012-13 Budget Statements