

# Foreword

This guide has been prepared to assist readers to understand the 2003-04 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 demonstrates the ability of Government to sustain its operations over time.

This year's guide includes a new section which describes the elements in each of the three financial statements that make up a suite of accrual accounts.

Feedback is welcome and can be directed to the Department of Treasury and Finance.

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# The 2003–04 Budget Papers

## **BUDGET PAPER NO. 1 – 2003–04 BUDGET SPEECH**

The budget speech delivered by the Treasurer, the Hon. E S Ripper B.A., Dip.Ed., MLA, to Parliament on 8 May 2003.

## **BUDGET PAPER NO. 2 – 2003–04 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 – 2003–04 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 – Expenses
- Chapter 4 – Financial Projections – Revenue
- Chapter 5 – The Western Australian Economy
- Chapter 6 – Federal Affairs
- Chapter 7 – Structural Reform

## **2003–04 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 BUDGET STATEMENTS**

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

# Budget Scope and Presentation

## BUDGET SCOPE

Budget Paper No. 1 contains the Budget Speech, which is delivered in Parliament by the Treasurer.

All 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.

Whole of government financial projections are reported in Budget Paper No. 3.

## BUDGET PRESENTATION

### *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 to production of the 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 on the accrual basis 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, currently expressed as strategic objectives, and desired outcomes. Agencies are required to disclose measures of output quantity, quality, timeliness and cost (efficiency) together with appropriate performance targets. It is against these targets that the performance of each agency is assessed.

### *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, and total public sector, general government and whole of government forward estimates.

The sector splits are further defined in the appendices to Budget Paper No. 3.

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 Budget Statements

## PERFORMANCE INFORMATION

With the continuing emphasis on performance, the summary table titled *Relationship to Government Strategic Objectives* has been retained. This table shows the linkages of agency level desired outcomes and outputs to the most appropriate Government strategic objectives.

There are currently seven Government strategic objectives:

1. A growing and diversified economy;
2. Strong and vibrant regions;
3. An educated and skilled future for all Western Australians;
4. Safe, healthy and supportive communities;
5. A valued and protected environment;
6. Honest, accountable and inclusive government; and
7. Sound financial management.

The reporting of agency performance in terms of achieving government desired outcomes is assisted by the disclosure of audited key effectiveness indicators. For the 2003-04 Budget, the agency level outcomes and key effectiveness indicators are presented in a single table immediately following the strategic objectives information. This outcome information was previously reported adjacent to the output tables. The reported information relates to selected indicators of effectiveness.

The focus within 'major achievements' and 'major initiatives' endeavours to closely relate these issues to the agency's desired outcomes published in the budget.

## FINANCIAL STATEMENTS

Minor wording amendments have been inserted in the Statement of Financial Performance and the Statement of Cash Flows. The statements now refer to employee expenses/costs instead of salaries and clearly identify revenues and cash flows received from the State Government.

## SUMMARY OF RECENT REFORMS

Accrual appropriations, introduced as part of the 2001-02 Budget, specify the total amount of resources, cash and non-cash, allocated to each agency. The non-cash component (asset depreciation and accrued leave entitlements) is credited to a holding account administered by the Department of Treasury and Finance. Subject to Government approval, agencies access funds in this account to meet relevant commitments when they emerge.

The capital user charge, also introduced in 2001-02, is a levy by Government on the net value of assets used by agencies in the delivery of services. It recognises that there is a cost associated with holding assets that should be reflected as part of the full cost of delivering services to the community.

In addition to the hard copy of the budget papers, interested readers may access an electronic version of the papers at: [www.ourstatebudget.wa.gov.au](http://www.ourstatebudget.wa.gov.au)

# Agency 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:

<b>APPROPRIATION AND FORWARD ESTIMATES</b>
<b>MISSION</b>
<b>SIGNIFICANT ISSUES AND TRENDS</b>
<b>MAJOR POLICY DECISIONS*</b>
<b>OUTPUT AND APPROPRIATION SUMMARY</b>
<b>RESOURCE AGREEMENT</b>
<b>OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION</b>
Relationship to Government Strategic Objectives
Outcomes and Key Effectiveness Indicators
Output 1
<i>Major Achievements for 2002-03</i>
<i>Major Initiatives for 2003-04</i>
Output 2
<i>Major Achievements for 2002-03</i>
<i>Major Initiatives for 2003-04</i>
<b>CAPITAL WORKS PROGRAM*</b>
<b>CAPITAL CONTRIBUTION*</b>
<b>FINANCIAL STATEMENTS</b>
STATEMENT OF FINANCIAL PERFORMANCE
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CASH FLOWS
SCHEDULE OF ADMINISTERED EXPENSES AND REVENUES*
SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES*
SCHEDULE OF ADMINISTERED PAYMENTS AND RECEIPTS *
<b>DETAILS OF CONTROLLED GRANTS AND SUBSIDIES*</b>
<b>DETAILS OF THE ADMINISTERED TRANSACTIONS EXPENSES*</b>
<b>DETAILS OF THE ADMINISTERED TRANSACTIONS REVENUE*</b>
<b>TRUST ACCOUNT DETAILS*</b>
<b>NET APPROPRIATION DETERMINATION*</b>

\* 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; administered transactions; capital contributions; appropriations to Trust Funds; and standing appropriations made under other statutes. The amount shown to deliver outputs is net of retained revenues.

	2001-02 Actual \$'000	2002-03 Budget \$'000	2002-03 Estimated Actual \$'000	2003-04 Budget Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>DELIVERY OF OUTPUTS</b>							
Item 87 Net amount appropriated to purchase outputs .....				54,696			
<b>Amount Authorised by Other Statutes</b>							
– Salaries and Allowances Act 1975				478			
– Lotteries Commission Act 1990.....				8,600			
Total appropriations provided to deliver outputs .....				63,774			
<b>ADMINISTERED TRANSACTIONS</b>							
Item 88 Amount provided for Administered Grants, Subsidies and Transfer Payments .....				600			
<b>CAPITAL</b>							
Item 171 Capital Contribution .....				7,959			
<b>GRAND TOTAL</b>				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. 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 produced. 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 operating revenues 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.

	2001-02 Actual \$'000	2002-03 Budget \$'000	2002-03 Estimated Actual \$'000	2003-04 Budget Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>OUTPUTS</b>							
<i>Output 1:</i>							
Art Gallery Services .....				27,085			
<i>Output 2:</i>							
Library and Information Services .....				26,383			
<i>Output 3:</i>							
Museum Services				26,440			
<b>Total Cost of Outputs .....</b>				<b>79,908</b>			
<i>Less Operating revenues</i>				16,134			
<b>Net Cost of Outputs</b>				<b>63,774</b>			
Adjustments				-			
<b>Appropriation provided to deliver Outputs .....</b>				<b>63,774</b>			
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			
<b>TOTAL CONSOLIDATED FUND APPROPRIATIONS .....</b>				<b>72,333</b>			

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

Gross cost of all outputs for the financial year as per 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.

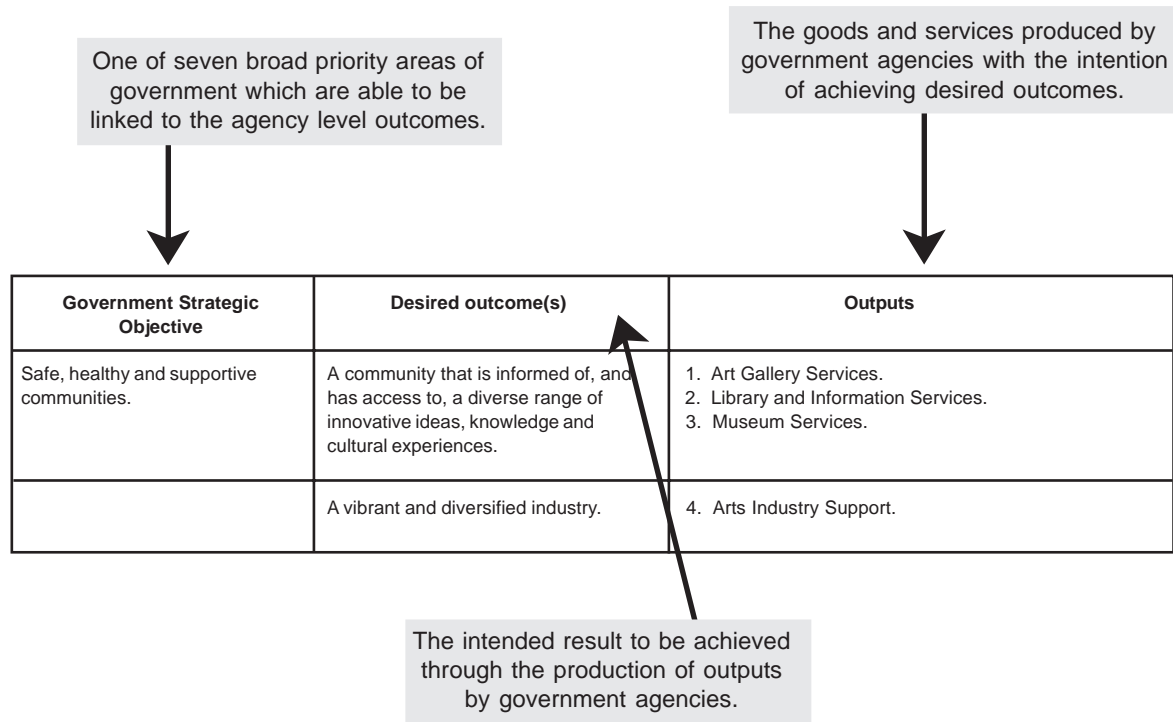
Same amounts as appear in Appropriation and Forward Estimates table (illustrated on page 6).

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 Objectives*

Demonstrates the linkage between the most appropriate Government strategic objective and the agency level desired outcomes and outputs.





## OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

### Outcomes and Key Effectiveness Indicators

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

	2001-02 Actual	2002-03 Budget	2002-03 Estimated	2003-04 Target	Reason for Significant Variation between 2002-03 Estimated and 2003-04 Target
<b>Outcome: A community that is informed of, and has access to, a diverse range of innovative ideas, knowledge and cultural experiences</b> Visits strongly improved visitors knowledge and understanding ..... Customer satisfaction survey with services..... Quality of presentation of displays					
<b>Outcome: A vibrant and diversified industry</b> Client satisfaction rate.....					

Audited Key Effectiveness Indicators.

Outcomes are the intended result to be achieved through the production 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 (2001-02 Actual, 2002-03 Budget and Estimated Actual, and 2003-04 Target). The *quantity* measures describe outputs in terms of how much or how many units are planned to be produced. *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 produced. *Cost (efficiency)* measures reflect the full accrual cost of producing 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.

	2001-02 Actual	2002-03 Budget	2002-03 Estimated	2003-04 Target	Reason for Significant Variation between 2002-03 Estimated and 2003-04 Target
<b>Quantity</b>					
Number of interactions (visitors, internet hits, enquiries and exchanges)					
- LISWA	2,850,000			3,500,000	
- WA Museum	876,000			1,300,000	
- Art Gallery	357,812			480,770	
<b>Quality</b>					
Satisfaction rate - interactions					
- LISWA	90%			91%	
- WA Museum	96%			97%	
- Art Gallery	93%			93%	
Satisfaction rate - products					
- LISWA	93%			93%	
- WA Museum	97%			97%	
- Art Gallery	96%			96%	
<b>Timeliness</b>					
Number of hours per week public has access to collections at Perth sites					
- LISWA	74.5			74.5	
- WA Museum					
- Perth Museum	49			49	
- Maritime Museum	46			46	
- Fremantle History Museum	40			40	
- Art Gallery	49			49	
<b>Cost (Efficiency)</b>					
- LISWA	\$5.59			\$5.50	
- WA Museum	\$1.81			\$1.70	
- Art Gallery	\$12.10			\$11.70	
<b>Full Time Equivalents (FTEs)</b>	<b>340</b>	<b>341</b>	<b>341</b>	<b>343</b>	

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.

	2001-02 Actual \$'000	2002-03 Budget \$'000	2002-03 Estimated Actual \$'000	2003-04 Budget Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
Agrees to the total of the Capital Works Program.							
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
<b>Total Cost of Capital Works Program</b>				9,277			
<b>Working capital requirement</b>							
Loan repayments				912			
				10,189			
LESS							
Borrowings				2,130			
Funding included in output appropriations				-			
Holding Account				100			
Internal Funds and Balances				-			
<b>Capital Contribution</b>				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.

Drawdowns of previously approved Parliamentary appropriation as the requirement to replace depreciated assets emerges.

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

## STATEMENT OF FINANCIAL PERFORMANCE

The Statement of Financial Performance was formerly known as the Operating Statement. Expenses and revenues are recorded in this statement.

Expenses are costs incurred by an agency from its operating activities other than costs that result in the creation of an asset. Employee expenses (salaries etc), supplies and services, interest and grants are some of the common types of expenses.

Expenses such as these are recorded in the Statement of Financial Performance when an obligation is entered into requiring a payment to be made, whether that payment is to be made immediately or at some stage 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 shown in the Statement of Cash Flows.

Depreciation is another expense category in the Statement of Financial Performance. Asset acquisitions are not recorded in the Statement of Financial Performance at the time of purchase. Depreciation expense represents the allocation of the value of asset acquisitions over their useful life – 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 and grants. Revenues are recorded at the time they are earned, which may be before 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 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 result, which is one of the financial targets set in accordance with the *Government Financial Responsibility Act*.

Revenues from State Government mainly comprise the appropriations for outputs (recurrent services) approved by Parliament. Appropriations for capital contributions are not shown here. Ideally, appropriation revenues will match the net cost of services, however, there will often be a small variation due to carryover commitments across financial years and recognition of expenses associated with the pension scheme (which has been 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 for the year, also known as 'change in equity'.

There may be isolated cases where agencies have changes in equity arising from restructures (such as machinery of government changes) and extraordinary items. Changes in equity from a restructure 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)

	2001-02 Actual \$'000	2002-03 Budget \$'000	2002-03 Estimated Actual \$'000	2003-04 Budget Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>COST OF SERVICES</b>							
<b>Expenses from ordinary activities</b>							
Employee expenses				26,394			
Supplies and services				12,869			
Depreciation				6,056			
Interest				3,073			
Capital User Charge				5,000			
Grants and subsidies				7,206			
All other expenses				19,310			
<b>TOTAL COST OF SERVICES</b>				79,908			
<b>Revenues from ordinary activities</b>							
User charges and fees				10,244			
Interest				890			
Net profit on disposal of non-current assets				-			
Grants and subsidies				2,000			
Other				3,000			
<b>Total Revenues from Ordinary Activities</b>				16,134			
<b>NET COST OF SERVICES</b>				63,774			
<b>REVENUES FROM STATE GOVERNMENT</b>							
Appropriations				63,774			
<b>TOTAL REVENUES FROM STATE GOVERNMENT</b>				63,774			
Change in Equity arising from restructuring				-			
<b>CHANGE IN EQUITY RESULTING FROM OPERATIONS</b>				-			
Extraordinary Items				-			
<b>CHANGE IN EQUITY AFTER EXTRAORDINARY ITEMS</b>				-			

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 provision of services by the agency 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.

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.

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.

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

## STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position was formerly known as the Balance Sheet. It is a record of assets, liabilities and equity at a point in time. Assets and liabilities are further classified into current and non-current.

Current assets are cash and other assets that are expected to be converted to cash within 12 months, such as accounts receivable and inventories. Non-current assets are usually more of a physical nature with long 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 accounts payable (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 and net worth. The components of equity are:

- 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 accurate valuations. Land revaluations are normally a major component of asset revaluation reserves.
- Contributed equity – this comprises 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.

## STATEMENT OF FINANCIAL POSITION (Controlled)

	2001-02 Actual \$'000	2002-03 Budget \$'000	2002-03 Estimated Actual \$'000	2003-04 Budget Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>CURRENT ASSETS</b>							
Cash assets				15,857			
Other financial assets (Investments)				208			
Accounts Receivable				1,360			
Inventories				774			
Restricted cash assets				1,756			
Amounts receivable for outputs				150			
Other				330			
<b>Total current assets</b>				20,435			
<b>NON-CURRENT ASSETS</b>							
Amounts receivable for outputs				7,032			
Land and buildings				121,495			
Other financial assets (Investments)				2,479			
Plant, equipment and vehicles				6,482			
Library collections				32,109			
Works of art				28,385			
Other non-current assets				400			
<b>Total non-current assets</b>				198,382			
<b>TOTAL ASSETS</b>				218,817			
<b>CURRENT LIABILITIES</b>							
Provision for employee entitlements				3,331			
Payables				1,262			
Interest bearing liabilities (Borrowings)				1,221			
Interest payable				999			
Trust Funds				1,506			
Other liabilities				7,101			
<b>Total current liabilities</b>				15,420			
<b>NON-CURRENT LIABILITIES</b>							
Employee entitlements				2,920			
Superannuation				11,675			
Interest bearing liabilities (Borrowings)				20,965			
<b>Total non-current liabilities</b>				35,560			
<b>TOTAL LIABILITIES</b>				50,980			
<b>EQUITY</b>							
Contributed equity				7,959			
Accumulated surplus/(deficit)				83,337			
Asset revaluation reserve				23,669			
Other reserves				52,872			
<b>Total equity</b>				167,837			
<b>TOTAL LIABILITIES AND EQUITY</b>				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.

Asset revaluation reserve 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 structured into cash flows from State Government, operating activities, investing activities and financing activities.

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 expense and any increase in leave liabilities. These amounts are included in the appropriation approved by Parliament, but in the first instance are transferred into a holding account administered by the Department of Treasury and Finance. Agencies draw on their credits in the holding account to replace assets and meet leave liability obligations when they fall due.

Receipts and payments 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 cost of asset purchases that

have a finite useful life is represented in the Statement of Financial Performance as depreciation expense over the useful life of the asset. 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. Total cash matches back to cash assets shown in the Statement of Financial Position.



## STATEMENT OF CASH FLOWS (Controlled)

	2001-02 Actual \$'000	2002-03 Budget \$'000	2002-03 Estimated Actual \$'000	2003-04 Budget Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>							
Appropriations				56,492			
Capital Contribution				7,959			
Holding Account				100			
<b>Net cash provided by State government</b>				<b>64,551</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee costs				(23,276)			
Superannuation				(1,280)			
Supplies and services				(15,079)			
Administration expenses				(7,840)			
Borrowing costs				(2,946)			
Capital User Charge				(13,000)			
Grants and subsidies				(6,519)			
Goods and Services Tax				(6,000)			
Other payments				(3,000)			
<b>Receipts</b>							
User charges and fees				9,879			
Interest				790			
Grants and subsidies				2,000			
Goods and Services Tax				6,000			
Other receipts				4,427			
<b>Net cash from operating activities</b>				<b>(55,844)</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of non-current assets				(8,417)			
Purchase of investments				(760)			
Receipts from the sale of non-current assets				1			
<b>Net cash from investing activities</b>				<b>(9,176)</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Proceeds from borrowings				2,130			
Repayment of borrowings				(912)			
<b>Net cash from financing activities</b>				<b>1,218</b>			
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>				<b>749</b>			
Cash assets at the beginning of the reporting period				16,864			
<b>Cash assets at the end of the reporting period</b>				<b>17,613</b>			

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 purchase and sale of non-current assets.

Cash flows involved in new borrowings and repayment of 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.

# 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.

<b>accrual appropriations</b>	Appropriations that recognise the total amount of resources, both cash and non-cash, that are to be made available to agencies.
<b>administered revenues/ expenses/assets/liabilities</b>	Activities and functions that are managed by an agency on behalf of government and do not contribute to the agency outputs.
<b>agency</b>	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).
<b>amounts receivable for outputs</b>	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.
<b>appropriation</b>	Parliamentary authorisation of expenditure made by agencies. The budget process includes the passage of Appropriation Bills by Parliament.
<b>capital contributions</b>	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.
<b>capital user charge</b>	A levy charged by government on the value of net assets (assets less liabilities) used by agencies in the delivery of outputs.
<b>Consolidated Fund</b>	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.
<b>controlled revenues/ expenses/assets/liabilities</b>	Functions and activities over which an agency has 'control' and is able to use to achieve its outcomes through delivery of outputs.
<b>cost of capital</b>	The expected return that is foregone by investing in an asset rather than in comparable financial securities. It is the opportunity cost of capital.
<b>debt</b>	An interest bearing liability held by an agency. The rate of interest on the debt is the cost of debt.
<b>depreciation</b>	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.
<b>effectiveness indicator</b>	A performance indicator providing information on the extent to which outcomes have been achieved through the funding and production of agreed outputs.
<b>efficiency indicator</b>	A performance indicator that relates outputs to the level of resource inputs required to produce them.

<b><i>Financial Administration and Audit Act</i></b>	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.
<b>forward estimates</b>	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.
<b>full time equivalent</b>	One full time equivalent (FTE) equals one person working full-time for one financial year.
<b>Government Strategic Objectives</b>	The broad priority areas of Government to which agency level outcomes are expected to be linked.
<b>holding account</b>	An account, administered by the Department of Treasury and Finance on behalf of each agency that holds credits for accumulated depreciation and leave expenses. The credits accumulate as an asset on the balance sheet of agencies and, subject to government approval, may be drawn upon for the purpose of asset replacement (in the case of depreciation) or to meet emerging employee leave entitlements.
<b>net appropriations</b>	The revenues agencies are permitted to retain under the <i>FAAA</i> , and apply to agency outputs.
<b>outcome</b>	The intended result to be achieved through the production of outputs by government agencies.
<b>output</b>	The goods and services produced by government agencies with the intention of achieving stated outcomes.
<b>output based management</b>	The process whereby agencies are funded and have their performance assessed on the basis of the outputs they produce and the outcomes they achieve.
<b>performance measures</b>	Units of measurement used to determine and assess delivery of outputs. They measure the quantity, quality, timeliness and cost of all outputs.
<b>resource agreements</b>	A signed agreement between the Treasurer, relevant Minister and CEO (and accountable authority in certain circumstances) formally endorsing the outputs to be produced, the outcomes to be achieved and the financial plan of the agency.

