



2007-08 BUDGET

READER'S GUIDE TO THE 2007-08 BUDGET STATEMENTS



Reader's Guide to the 2007-08 Budget Statements

© Government of Western Australia

For further information please contact:

Department of Treasury and Finance

197 St George's Terrace

Perth WA 6000

Telephone: +61 8 9222 9222

Facsimile: +61 8 9222 9342

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

2007-08 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

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

Budget Paper No. 3 – Economic and Fiscal Outlook

Budget Overview

Reader's Guide to the 2007–08 Budget Statements

ISSN 1448-2630

Foreword

This guide has been prepared to assist the reader with understanding the 2007-08 Budget Papers, in particular the Budget Statements (Budget Paper No. 2).

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

Financial data presented in the 2007-08 Budget Papers are based on data collected from the State's public sector agencies using Australian equivalents to International Financial Reporting Standards.

The 2007-08 Budget Papers reflect recent government portfolio/structural changes, as well as improvements to the Outcome Based Management structures of some agencies.

This Reader's Guide outlines the main features of the information the Budget Statements provide at agency level. This includes details of the three financial statements that budget funded agencies are required to prepare.

Feedback is welcome and can be directed to the Department of Treasury and Finance (Financial Policy) on (08) 9222 9358.

Contents

What are the Budget Papers?	2
What is in the Budget Papers?	3
Recent Developments	4
Agency Level Information in Support of the Estimates	6
Illustrative Budget Tables	7
Other Sources of Information	19
Glossary	20

What are the Budget Papers?

BUDGET PAPER NO. 1 – 2007-08 BUDGET SPEECH

The budget speech delivered by the Treasurer, the Hon E S Ripper BA, DipEd, MLA, to Parliament on 10 May 2007.

BUDGET PAPER NO. 2 – 2007-08 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 Account Expenditure Estimates

Chapter 2 – Net Appropriation Determinations

Chapter 3 – Agency Information in Support of the Estimates

BUDGET PAPER NO. 3 – 2007-08 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 – General Government Revenue

Chapter 4 – General Government Expenses

Chapter 5 – Capital Investment

Chapter 6 – The Western Australian Economy

Chapter 7 – Reform Issues

The Budget Papers are supported by the documents described below:

2007-08 BUDGET OVERVIEW

Highlights of the budget, supported by graphical and tabular presentations. A regional breakdown of key capital works projects is included.

READER'S GUIDE TO THE 2007-08 BUDGET STATEMENTS

Explains and illustrates the main content of the Budget Statements (Budget Paper No. 2).

What is in the Budget Papers?

BUDGET PAPER NO. 1 – BUDGET SPEECH

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

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

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

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

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

Chapter 3 presents detailed information on income, expenses and performance by agency. The financial statements in this chapter are prepared in accordance with Australian equivalents to International Financial Reporting Standards.

Agency budgets are expressed in terms of funding provided to deliver services. These services are delivered to achieve the Government's goals and, at agency level, government desired outcomes. Key effectiveness indicators provide information on the extent to which these desired outcomes are achieved. Key efficiency indicators are reported to assist with assessing agency performance in terms of service delivery.

BUDGET PAPER NO. 3 – ECONOMIC AND FISCAL OUTLOOK

This paper analyses the fiscal position of, and forecast results for, the public sector. It does so at the 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 contains information relating to the economic position and outlook of the State upon which the fiscal projections are based, and also discusses developments in reform issues.

Recent Developments

FINANCIAL MANAGEMENT ACT 2006

The *Financial Management Act 2006* (FMA) and the *Auditor General Act 2006* (AGA) were enacted with effect from 1 February 2007 to replace the *Financial Administration and Audit Act 1985* (FAAA). The FMA addresses the financial management elements of the FAAA while the AGA maintains the role of the Auditor General as the external auditor of government and deals with the responsibilities of that position.

The purpose of the FMA is to provide for the management, administration and reporting of the public finances of the State. The Act:

- enhances **accountability** for financial management practices and outcomes in the Western Australian public sector;
- is more reflective of the current government accounting environment; and
- is **simplified** and **streamlined** with some of the more prescriptive provisions found in the regulations and/or Treasurer's instructions.

To ensure greater accountability and resource management, the FMA contains a provision requiring relevant agencies to:

- have an annual Resource Agreement with the Treasurer; and
- include in their annual report to Parliament an assessment of actual outcomes (financial and non-financial) compared to budget targets for the year.

This elevates the status of Resource Agreements (they were previously an administrative requirement only), and addresses a previous accountability gap by requiring agencies to report actual outcomes relative to the approved targets in the budget statements.

The FMA also abolished the agency requirement to pay the Capital User Charge (CUC). In order for meaningful comparisons to be made in the budget tables, the impact of the CUC has been removed from the 2005-06 Actuals and both the 2006-07 Budget and Estimated Actual figures. A reconciliation table identifying the impact of this adjustment for each agency has been inserted in the budget statements after the financial statements.

Whilst the CUC has been abolished, agencies are still required to reflect the opportunity cost of capital within their established pricing structures. This issue is addressed within DTF's publication 'Costing and Pricing Government Services'.

COSTING AND PRICING GOVERNMENT SERVICES – GUIDELINES FOR USE BY AGENCIES IN THE WESTERN AUSTRALIAN PUBLIC SECTOR

The fifth edition of the Guidelines, published in April 2007, is intended to help agencies to better understand their costs and the factors that have the greatest influence on those costs (i.e. the cost drivers). Specifically, the Guidelines assist agencies in:

- determining the full cost of services provided by public sector agencies; and
- setting appropriate prices for services that are to be sold.

The full cost of a service is represented by the aggregation of:

- direct costs – direct staffing costs, superannuation, energy and water charges, consumable supplies and purchased services;
- indirect costs – such as costs associated with executive administration, financial services, human resources, records management and information technology; and
- capital-related costs – depreciation charges and the opportunity cost of capital.

The revised Guidelines also outline the broad principles that should be considered in the pricing of government services.

Agency Level Information in Support of the Estimates

(i.e. Chapter 3 of Budget Paper No. 2)

Agency details are arranged by Ministerial portfolio, and for a typical agency are outlined as follows:

APPROPRIATION AND FORWARD ESTIMATES
MISSION
SIGNIFICANT ISSUES AND TRENDS
MAJOR POLICY DECISIONS*
SERVICE AND APPROPRIATION SUMMARY
RESOURCE AGREEMENT
OUTCOMES, SERVICES AND PERFORMANCE INFORMATION
Relationship to Government Goals
Outcomes and Key Effectiveness Indicators
Service 1
<i>Description and Costings</i>
<i>Key Efficiency Indicators</i>
<i>Major Achievements for 2006-07</i>
<i>Major Initiatives for 2007-08</i>
Service 2
<i>Description and Costings</i>
<i>Key Efficiency Indicators</i>
<i>Major Achievements for 2006-07</i>
<i>Major Initiatives for 2007-08</i>
CAPITAL WORKS PROGRAM*
CAPITAL CONTRIBUTION*
FINANCIAL STATEMENTS
INCOME STATEMENT (CONTROLLED)
BALANCE SHEET (CONTROLLED)
CASHFLOW STATEMENT (CONTROLLED)
SCHEDULE OF ADMINISTERED EXPENSES AND INCOME*
SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES*
SCHEDULE OF ADMINISTERED PAYMENTS AND RECEIPTS*
RECONCILIATION RELATING TO REMOVAL OF CAPITAL USER CHARGE*
DETAILS OF CONTROLLED GRANTS AND SUBSIDIES*
DETAILS OF THE ADMINISTERED TRANSACTIONS EXPENSES*
DETAILS OF THE ADMINISTERED TRANSACTIONS INCOME*
AGENCY SPECIAL PURPOSE ACCOUNT DETAILS*
NET APPROPRIATION DETERMINATION*

* These sections may not be relevant to all agencies.

Illustrative Budget Tables

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)

APPROPRIATION AND FORWARD ESTIMATES

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

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
DELIVERY OF SERVICES							
Item 87 Net amount appropriated to deliver services				18,372			
Amount Authorised by Other Statutes – Salaries and Allowances Act 1975				200			
Total appropriations provided to deliver services				18,572			
ADMINISTERED TRANSACTIONS							
Item 88 Amount provided for Administered Grants, Subsidies and Other Transfer Payments				600			
CAPITAL							
Item 171 Capital Contribution				7,000			
GRAND TOTAL				26,172			

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

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

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

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

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

SERVICE AND APPROPRIATION SUMMARY

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

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
SERVICES							
<i>Service 1:</i>							
Management of State's Commercial Fisheries				11,290			
<i>Service 2:</i>							
Management of the State's Recreational Fisheries				10,999			
<i>Service 3:</i>							
Management and Conservation of Fish and Fish Habitat				17,641			
Total Cost of Services				39,930			
Less Income				21,358			
Net Cost of Services				18,572			
Adjustments				-			
Appropriation provided to deliver Services				18,572			
ADMINISTERED TRANSACTIONS							
Appropriation for Administered Grants Subsidies and Transfer Payments				600			
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
Appropriation for Capital Contribution to meet equity needs				7,000			
TOTAL CONSOLIDATED ACCOUNT APPROPRIATIONS				26,172			

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

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

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

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

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

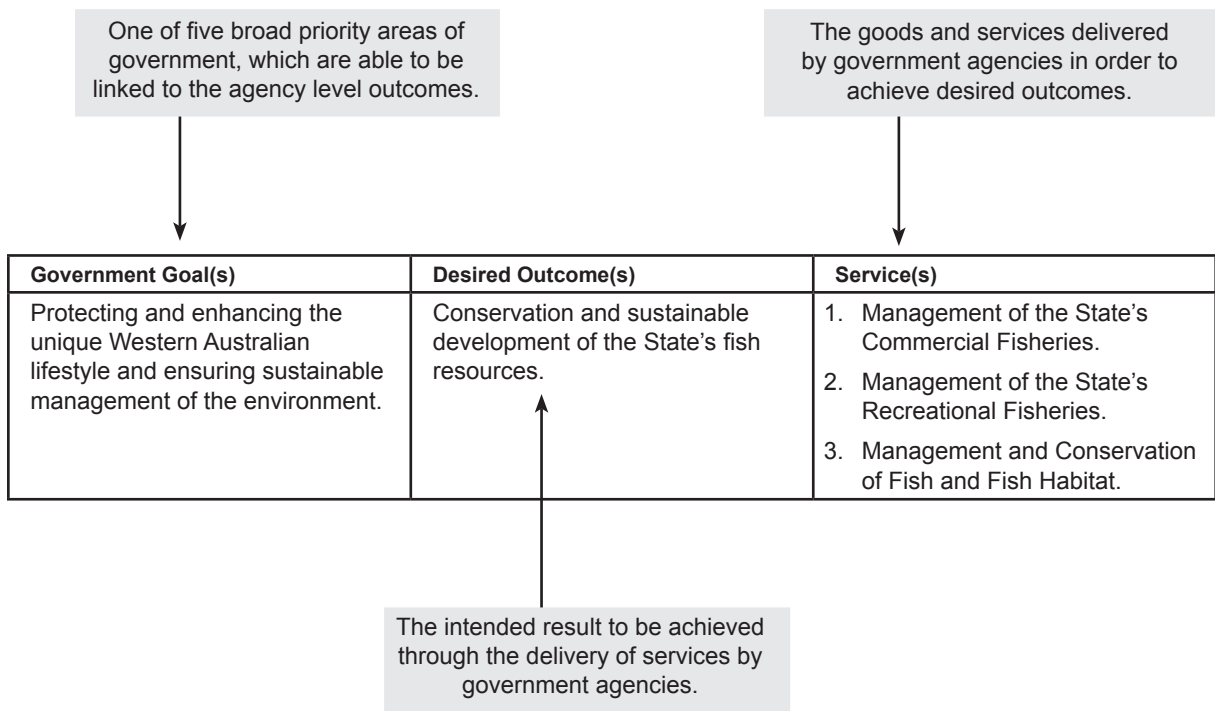
Agrees to 'Total appropriations provided to deliver services' in Appropriation and Forward Estimates table (illustrated on page 7).

OUTCOMES, SERVICES AND PERFORMANCE INFORMATION

Relationship to Government Goals

Demonstrates the linkage between the most appropriate government goal and the agency level desired outcome(s).

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



OUTCOMES, SERVICES AND PERFORMANCE INFORMATION (Continued)

Outcomes and Key Effectiveness Indicators^(a)

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

	2005-06 Actual	2006-07 Budget	2006-07 Estimated	2007-08 Target	Reason for Significant Variation between 2006-07 Estimated and 2007-08 Target
Outcome: Conservation and sustainable development of the State's fish resources. The proportion of fish stocks identified as being at risk or vulnerable through exploitation..... The satisfaction rating of the broader community and stakeholders as to their perceptions of the extent to which the Department is achieving sustainable fisheries management objectives..... The proportion of commercial fisheries where predicted catches are achieved.....					

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

Audited key effectiveness indicators.

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

Services and Key Efficiency Indicators

Key efficiency indicators are presented for each service. Efficiency indicators relate services to the level of resource inputs required to deliver them and 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 even the timeliness in which services are delivered. Consistent performance information must be disclosed in agency annual reports.

Service: Management of the State's Recreational Fisheries

	2005-06 Actual	2006-07 Budget	2006-07 Estimated	2007-08 Target	Reason for Significant Variation between 2006-07 Estimated and 2007-08 Target
Cost per managed fishery licence Average cost per hour Community Education and Compliance					

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.

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
Total Cost of Capital Works Program				9,000			
Working capital requirement							
Loan repayments				500			
				9,500			
LESS							
Borrowings				2,400			
Funding included in service appropriations.....				-			
Drawdowns from the Holding Account				100			
Internal Funds and Balances				-			
Capital Contribution				7,000			

Agrees to the total of the Capital Works Program.

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

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

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

Funding for some items in the Capital Works Program may be expensed and therefore included in 'Delivery of services' in the Appropriation and Forward Estimates table (illustrated on page 7). To also include such funding in the capital contribution would be a duplication.

INCOME STATEMENT

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

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

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

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 Cash Flow Statement**.

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

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

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

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

INCOME STATEMENT (Controlled)

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
COST OF SERVICES							
Expenses							
Employee benefits expenses ^(a)				20,188			
Supplies and services				9,620			
Depreciation and amortisation				3,147			
Accommodation				1,400			
Capital user charge ^(b)				-			
Grants and subsidies				4,891			
Other expenses				684			
TOTAL COST OF SERVICES				39,930			
Income							
Licence fees				3,450			
Regulatory fees and fines				11,490			
Gain on disposal of non-current assets				630			
Grants and subsidies				3,978			
Interest revenue				450			
Other revenue				1,360			
Total Income				21,358			
NET COST OF SERVICES				18,572			
INCOME FROM STATE GOVERNMENT							
Service appropriations				18,572			
Liabilities assumed by the Treasurer				-			
Resources received free of charge				-			
TOTAL INCOME FROM STATE GOVERNMENT				18,572			
SURPLUS/(DEFICIENCY) FOR THE PERIOD				-			
Extraordinary Items				-			
CHANGE IN SURPLUS/(DEFICIENCY) FOR THE PERIOD AFTER EXTRAORDINARY ITEMS				-			

Details of accrual operating costs in the financial year.

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

Accrual net cost of agency services in the financial year.

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

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

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

^(a) The Full Time Equivalents (FTEs) for 2005-06 Actual, 2006-07 Estimated Actual and 2007-08 Estimate are x, y and z respectively.

^(b) Following enactment of the *Financial Management Act*, as from 2007-08, agencies are no longer required to pay the Capital User Charge.

BALANCE SHEET

The Balance Sheet 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 Balance Sheet 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.

BALANCE SHEET (Controlled)

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
CURRENT ASSETS							
Cash and cash equivalents				11,913			
Receivables				1,633			
Inventories				510			
Interest receivable				880			
Amounts receivable for services				1,328			
Prepayments				133			
Total current assets				16,397			
NON-CURRENT ASSETS							
Amounts receivable for services				3,020			
Land and buildings				8,800			
Plant and equipment				5,990			
Total non-current assets				17,810			
TOTAL ASSETS				34,207			
CURRENT LIABILITIES							
Payables ^(a)				1,331			
Provision for employee entitlements				2,262			
Other				505			
Total current liabilities				4,098			
NON-CURRENT LIABILITIES							
Borrowings				1,050			
Provision for employee benefits				1,900			
Total non-current liabilities				2,950			
TOTAL LIABILITIES				7,048			
EQUITY							
Contributed equity				7,000			
Accumulated surplus/(deficiency)				-			
Reserves				20,159			
Total equity				27,159			
TOTAL LIABILITIES AND EQUITY				34,207			

Assets that are either cash or are likely to be converted to cash within 12 months.

Assets that do not fall within the definition of current assets.

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

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

The accumulated balance of capital contributions as shown in the Appropriation and Forward Estimates table (illustrated on page 7).

Movement in surplus/deficit.

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

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

^(a) Following enhancement of the *Financial Management Act*, as from 2007-08, agencies are no longer required to pay the Capital User Charge.

CASH FLOW STATEMENT

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

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

The **Cash flows 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 and Finance. Agencies subsequently draw on their credits in the holding account to replace existing assets and meet leave liability obligations when they fall due.

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

Cash flows from investing activities relate to the purchase or sale of assets, such as land, buildings and equipment. The 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.

Cash flows 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 Balance Sheet.

CASH FLOW STATEMENT (Controlled)

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
CASH FLOWS FROM STATE GOVERNMENT							
Service appropriations				13,258			
Capital contribution				7,000			
Holding account drawdowns				100			
Net cash provided by State government				20,358			
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee benefits				(17,230)			
Superannuation				(1,471)			
Supplies and services				(13,135)			
Grants and subsidies				(3,491)			
Finance costs				(360)			
Accommodation				(1,400)			
Capital user charge ^(a)				-			
Other payments				(146)			
Receipts							
Licence fees				20,019			
User charges and fees				45			
Interest received				680			
Goods and Services Tax				1,890			
Other receipts				1,111			
Net cash from operating activities				(13,488)			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of non-current assets				(1,900)			
Proceeds from the sale of non-current assets				523			
Net cash from investing activities				(1,377)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayment of borrowings				-			
Proceeds from borrowings				(1,030)			
Net cash from financing activities				(1,030)			
NET INCREASE/ (DECREASE) IN CASH HELD				4,463			
Cash assets at the beginning of the reporting period				7,450			
Cash assets at the end of the reporting period				11,913			

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

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

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

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

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

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

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

^(a) Following enactment of the *Financial Management Act*, as from 2007-08, agencies are no longer required to pay the Capital User Charge.

RECONCILIATION RELATING TO REMOVAL OF CAPITAL USER CHARGE

Following enactment of the *Financial Management Act 2006*, agencies are no longer required to pay the Capital User Charge. The impact of the Capital User Charge has been removed from the 2005-06 Actuals and both the 2006-07 Budget and Estimated Actual figures in order for meaningful comparison to be made in the budget tables. A reconciliation table identifying the impact of this adjustment for each agency has been inserted after the financial statements.

	2005-06 Actual \$'000	2006-07 Budget \$'000	2006-07 Estimated Actual \$'000	2007-08 Budget Estimate \$'000	2008-09 Forward Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000
EXPENSES							
Total Cost of Services as per Income Statement.....		22,897	26,562	39,930	21,581		
Less Capital User Charge		92	92	-	-		
Adjusted Total Cost of Service		22,805	26,470	39,930	21,581		
APPROPRIATIONS							
Net amount appropriated to deliver services ..		25,802	26,276	18,572	23,609		
Less Capital User Charge		92	92	-	-		
Net amount appropriated to deliver services ..		25,710	26,184	18,572	23,609		

Agrees with Total Cost of Services in the Income Statement (illustrated on page 13).

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

The capital user charge has been abolished from 2007-08.

Other Sources of Information

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

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

This website contains the 2007-08 Budget Papers and previous budget papers.

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

This website contains publications produced by the Department of Treasury and Finance, as well as general information on the latest financial management issues and policy developments.

COSTING AND PRICING GOVERNMENT SERVICES – GUIDELINES FOR USE BY AGENCIES IN THE WESTERN AUSTRALIAN PUBLIC SECTOR (APRIL 2007)

The guidelines are intended to help agencies to better understand their costs and the factors that have the greatest influence on those costs.

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

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

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

This manual is intended to provide guidance to officers at all levels within agencies to operate within the accrual appropriations regime.

WAFAB – WESTERN AUSTRALIAN FINANCIAL ADMINISTRATION BOOKCASE

The Western Australian Financial Administration Bookcase (WAFAB) is a web based system that allows easy access to the *Financial Management Act*, Financial Management Regulations, Treasurer's instructions and the *Government Financial Responsibility Act*. Available from DTF website at: http://www.dtf.wa.gov.au/cms/tre_content.asp?id=551

BETTER PLANNING: BETTER FUTURES (SEPTEMBER 2006)

This document, published by the Department of the Premier and Cabinet, is built around five goals for government that contribute to achieving its vision. Each goal is supported by a number of government strategic outcomes. Agency level desired outcomes are required to link to at least one government goal. Available from DPC website at: <http://www.dpc.wa.gov.au/psmd/>

Glossary

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

accrual accounting	Recognition of economic events and other transactions involving income, expenses, assets, liabilities and equity as they occur, rather than when a flow of cash occurs.
accrual appropriations	Appropriations that recognise the total amount of resources, both cash and non-cash, that are to be made available to agencies.
administered revenues/expenses/assets /liabilities	Activities and functions that are managed by an agency on behalf of government and do not contribute to the agency's services.
agencies	Organisations within the public sector that deliver services. These can be a department, a sub-department or a statutory authority.
amounts receivable for services	A restricted asset on an agency's Balance Sheet that can only be used for asset replacement or payment of accrued leave liability.
appropriation	Parliamentary authorisation of agency expenditure. The budget process includes the passage of Appropriation Bills by Parliament.
asset	Future economic benefits controlled by an entity as a result of past transactions or other events. Assets may be tangible (e.g. land and buildings) or intangible (e.g. receivables, legal claims and rights).
Australian equivalents to International Financial Reporting Standards	Current Accounting Standards and Urgent Issues Group Interpretations issued by the Australian Accounting Standards Board.
balance sheet	A financial statement that presents the financial position of an entity by detailing assets, liabilities and equity at the end of a reporting period.
capital contributions	Appropriations that increase the operating capacity of an agency by being applied to purchase assets (Capital Works Program) or reduce liabilities such as loan repayments.
cash flow statement	A financial statement that presents cash receipts and payments for a reporting period.
Consolidated Account	The central ledger account administered by the Treasurer from which appropriations are paid and into which revenues of the State, such as State taxes, royalties and Commonwealth grants, are credited. The Consolidated Account is a component of the general government sector.

controlled income/expenses/assets/ liabilities	Relate to activities that are controlled by an agency and which assist the agency to achieve desired outcomes through delivery of services.
cost of capital	The expected return that is foregone by investing in an asset rather than in comparable financial securities. That is, the opportunity cost of capital.
debt	An interest bearing liability held by an agency. The rate of interest on the debt is the cost of debt.
depreciation	The portion of the cost of a non-current asset that is written off as an expense in the financial year, recognising the loss of future economic benefits embodied in non-current assets that have limited useful lives.
effectiveness indicator	A performance indicator providing information on the extent to which agency level government desired outcomes have been achieved through the funding and delivery of agreed services.
efficiency indicator	A performance indicator that relates services to the level of resource inputs required to deliver them.
equity	The residual interest in the assets of an entity after the deduction of liabilities.
expense	Decreases in economic benefits in the form of outflows, depletions of assets or increases in liabilities.
<i>Financial Management Act</i>	Commonly referred to as the FMA, this statute sets out the framework for the management, administration and reporting of the public finances of the State.
forward estimates	Estimates of future funding requirements. These assume that there will be no significant change in government policy and are designed to provide a longer-term perspective to the budget process.
full time equivalent	Each is equivalent to one person working full-time for one financial year.
general government sector	Comprises agencies that operate primarily with Parliamentary appropriation funding.
Government goals	The broad priority areas of the Government to which agency level desired outcomes are linked. The five government goals are: Better Services; Jobs and Economic Development; Lifestyle and the Environment; Regional Development; and Governance and Public Sector Improvement.
holding account	An account, administered by the Department of Treasury and Finance on behalf of agencies, that holds credits for the non-cash component of an agency's appropriation (depreciation and accrued leave entitlements) as a provision for the future replacement of assets and reduction in leave liability.
income	Increases in economic benefits in the form of inflows, enhancements of assets or decreases in liabilities.
income statement	A statement that presents the operating performance of an entity by detailing all items of income and expense recognised during a reporting period.
liability	Future sacrifices of economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other events.
net appropriations	The revenues agencies are permitted to retain under the FMA and apply to agency services.

operating surplus/deficit	Difference between income and expenses for the year on the Income Statement.
outcome	The effect, impact, result on or consequence for the community, environment or target clients of government services.
outcome based management	The Western Australian public sector's framework for managing the performance of agencies. It identifies the outcomes desired by government that agencies are expected to contribute to, and the services to be delivered to help achieve the desired outcomes.
public corporations	Those agencies that do not primarily operate with Parliamentary appropriation funding. They comprise public financial corporations and public non-financial corporations.
public financial corporations	Agencies that largely trade in financial assets and liabilities, e.g. the Western Australian Treasury Corporation.
public non-financial corporations	Agencies that charge for goods and services on a largely commercial basis, and largely operate independently of central government, e.g. the Water Corporation.
resource agreements	A signed agreement between the Treasurer, relevant Minister and the accountable authority formally endorsing the services to be delivered, the outcomes to be achieved and the financial plan of the agency.
service	The supply of an activity or good, to a user external to the agency providing the service, in order to achieve government desired outcomes.