



# 2008-09 BUDGET

## READER'S GUIDE TO THE 2008-09 BUDGET STATEMENTS



**Reader's Guide to the 2008-09 Budget Statements**

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**2008-09 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 2008–09 Budget Statements

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# Foreword

The Reader's Guide to the Budget Statements has been prepared to assist the reader with understanding the 2008-09 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 2008-09 Budget Papers are based on data collected from the State's public sector agencies using Australian equivalents to International Financial Reporting Standards.

The 2008-09 Budget Papers reflect recent government portfolio/structural changes, as well as improvements to the Outcome Based Management structures of some agencies.

This 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.

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# What are the Budget Papers?

## **BUDGET PAPER NO. 1 – 2008-09 BUDGET SPEECH**

The budget speech delivered by the Treasurer, the Hon E S Ripper BA, DipEd, MLA, to Parliament on 8 May 2008.

## **BUDGET PAPER NO. 2 – 2008-09 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 – 2008-09 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 – Economic Reform

The Budget Papers are supported by the documents described below:

### **2008-09 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 2008-09 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 – 2008-09 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 – 2008-09 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 – 2008-09 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 assesses the budget aggregates (such as the general government sector net operating balance) against the Government's financial targets.

It also contains information relating to the economic position and outlook of the State upon which the fiscal projections are based, and also discusses revenue measures introduced in the budget and developments in reform issues.

# 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

##### *Description and Costings*

##### *Key Efficiency Indicators*

##### *Major Achievements for 2007-08*

##### *Major Initiatives for 2008-09*

#### Service 2

##### *Description and Costings*

##### *Key Efficiency Indicators*

##### *Major Achievements for 2007-08*

##### *Major Initiatives for 2008-09*

### 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.

	2006-07 Actual \$'000	2007-08 Budget \$'000	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
<b>DELIVERY OF SERVICES</b>							
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			
<b>ADMINISTERED TRANSACTIONS</b>							
Item 88 Amount provided for Administered Grants, Subsidies and Other Transfer Payments .....				600			
<b>CAPITAL</b>							
Item 171 Capital Contribution .....				7,000			
<b>GRAND TOTAL</b> .....				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 6).

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 9).

## 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.

	2006-07 Actual \$'000	2007-08 Budget \$'000	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
<b>SERVICES</b>							
<i>Service 1:</i> Fisheries management .....				11,290			
<i>Service 2:</i> Compliance and education .....				10,999			
<i>Service 3:</i> Research and monitoring .....				17,641			
<b>Total Cost of Services .....</b>				<b>39,930</b>			
<b>Less Income .....</b>				<b>21,358</b>			
<b>Net Cost of Services .....</b>				<b>18,572</b>			
Adjustments .....				-			
<b>Appropriation provided to deliver Services .....</b>				<b>18,572</b>			
<b>ADMINISTERED TRANSACTIONS</b>							
<b>Appropriation for Administered Grants Subsidies and Transfer Payments .....</b>				<b>600</b>			
<b>CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS</b>							
<b>Appropriation for Capital Contribution to meet equity needs .....</b>				<b>7,000</b>			
<b>TOTAL CONSOLIDATED ACCOUNT APPROPRIATIONS .....</b>				<b>26,172</b>			

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 11).

Revenue received by the agency that reduces the total cost of services 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 5).

Agrees to 'Total appropriations provided to deliver services' in Appropriation and Forward Estimates table (illustrated on page 5).



## OUTCOMES, SERVICES AND PERFORMANCE INFORMATION

Budget funded agencies, subject to the *Financial Management Act*, are required to operate within a performance management framework known as Outcome Based Management (OBM). This framework requires the identification of agency level government desired outcomes, which contribute to one or more of the Government's high level strategic goals.

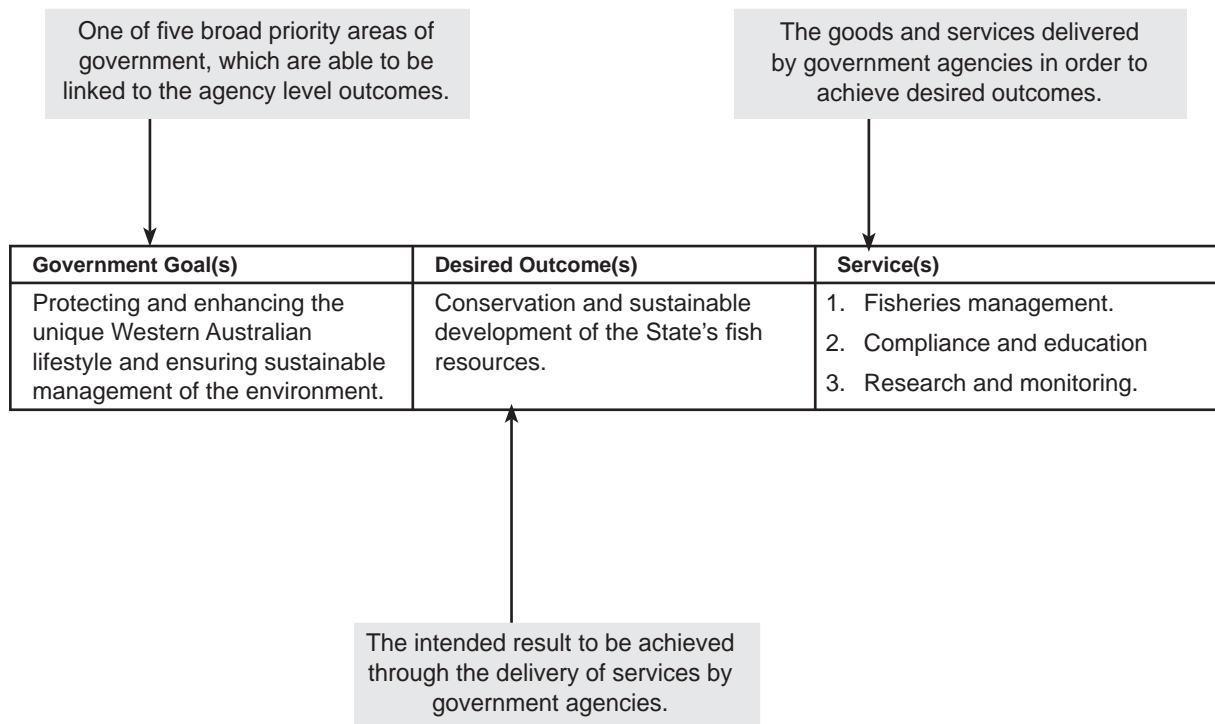
The OBM framework facilitates the monitoring of progress towards achievement of desired outcomes through the funding and delivery of services and the disclosure of key performance indicators. In addition to assisting interested parties to assess agency performance in achieving desired outcomes and obtaining value for taxpayers' funds from services delivered, the performance information is available to help agencies understand their own performance – facilitating strategic planning, enhancing resource management and highlighting areas for improvement.

Further OBM details are contained in the publication *Outcome Based Management: Guidelines for use in the Western Australian Public Sector*, which is available from the Department of Treasury and Finance website.

### Relationship to Government Goals

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

Agencies are funded to deliver services to achieve the desired outcomes, which ultimately contribute to meeting the high level government goals.



## OUTCOMES, SERVICES AND PERFORMANCE INFORMATION (Continued)

### Outcomes and Key Effectiveness Indicators<sup>(a)</sup>

The outcome is 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 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.

	2006-07 Actual	2007-08 Budget	2007-08 Estimated	2008-09 Target	Reason for Significant Variation between 2007-08 Estimated and 2008-09 Target
<b>Outcome: Conservation and sustainable development of the State's fish resources.</b> The proportion of fish stocks identified as being at risk or vulnerable through exploitation..... The proportion of fisheries where acceptable catches (or effort levels) are achieved..... The percentage of fisheries or fished sectors where current catch shares are known and where catch share allocations are in process or in place.....					

<sup>(a)</sup> 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: Fisheries Management

	2006-07 Actual	2007-08 Budget	2007-08 Estimated	2008-09 Target	Reason for Significant Variation between 2007-08 Estimated and 2008-09 Target
Average cost per hour of management .....					

## 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.

	2006-07 Actual \$'000	2007-08 Budget \$'000	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
CAPITAL CONTRIBUTION TO MEET EQUITY NEEDS							
<b>Total Cost of Capital Works Program .....</b>				9,000			
<b>Working capital requirement</b>							
Loan repayments .....				500			
				9,500			
LESS							
Borrowings .....				2,400			
Funding included in service appropriations.....				-			
Drawdowns from the Holding Account .....				100			
Internal Funds and Balances .....				-			
<b>Capital Contribution .....</b>				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 5). 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)

	2006-07 Actual \$'000	2007-08 Budget \$'000	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
<b>COST OF SERVICES</b>							
<b>Expenses</b>							
Employee benefits expenses <sup>(a)</sup> .....				20,188			
Supplies and services .....				9,620			
Depreciation and amortisation .....				3,147			
Accommodation .....				1,400			
Capital user charge <sup>(b)</sup> .....				-			
Grants and subsidies .....				4,891			
Other expenses .....				684			
<b>TOTAL COST OF SERVICES</b> .....				<b>39,930</b>			
<b>Income</b> .....							
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			
<b>Total Income</b> .....				<b>21,358</b>			
<b>NET COST OF SERVICES</b> .....				<b>18,572</b>			
<b>INCOME FROM STATE GOVERNMENT</b>							
Service appropriations .....				18,572			
Liabilities assumed by the Treasurer .....				-			
Resources received free of charge .....				-			
<b>TOTAL INCOME FROM STATE GOVERNMENT</b> .....				<b>18,572</b>			
<b>SURPLUS/(DEFICIENCY) FOR THE PERIOD</b>				<b>-</b>			
Extraordinary Items .....				-			
<b>CHANGE IN SURPLUS/(DEFICIENCY) FOR THE PERIOD AFTER EXTRAORDINARY ITEMS</b> .....				<b>-</b>			

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 5).

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.

<sup>(a)</sup> The Full Time Equivalents (FTEs) for 2006-07 Actual, 2007-08 Estimated Actual and 2008-09 Estimate are 372, 408 and 429 respectively.

<sup>(b)</sup> Following the enactment of the *Financial Management Act 2006*, 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)

	2006-07 Actual \$'000	2007-08 Budget \$'000	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
<b>CURRENT ASSETS</b>							
Cash and cash equivalents .....				11,913			
Receivables .....				1,633			
Inventories .....				510			
Interest receivable .....				880			
Amounts receivable for services .....				1,328			
Prepayments .....				133			
<b>Total current assets .....</b>				<b>16,397</b>			
<b>NON-CURRENT ASSETS</b>							
Amounts receivable for services .....				3,020			
Land and buildings .....				8,800			
Plant and equipment .....				5,990			
<b>Total non-current assets .....</b>				<b>17,810</b>			
<b>TOTAL ASSETS .....</b>				<b>34,207</b>			
<b>CURRENT LIABILITIES</b>							
Payables <sup>(a)</sup> .....				1,331			
Provision for employee entitlements .....				2,262			
Other .....				505			
<b>Total current liabilities .....</b>				<b>4,098</b>			
<b>NON-CURRENT LIABILITIES</b>							
Borrowings .....				1,050			
Provision for employee benefits .....				1,900			
<b>Total non-current liabilities .....</b>				<b>2,950</b>			
<b>TOTAL LIABILITIES .....</b>				<b>7,048</b>			
<b>EQUITY</b>							
Contributed equity .....				7,000			
Accumulated surplus/(deficiency) .....				-			
Reserves .....				20,159			
<b>Total equity .....</b>				<b>27,159</b>			
<b>TOTAL LIABILITIES AND EQUITY .....</b>				<b>34,207</b>			

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 5).

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.

<sup>(a)</sup> Following the enhancement of the *Financial Management Act 2006*, 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)

	2006-07 Actual	2007-08 Budget	2007-08 Estimated Actual	2008-09 Budget Estimate	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>							
Service appropriations .....				13,258			
Capital contribution .....				7,000			
Holding account drawdowns .....				100			
<b>Net cash provided by State government .....</b>				<b>20,358</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
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 <sup>(a)</sup> .....				-			
Other payments .....				(146)			
<b>Receipts</b>							
Licence fees .....				20,019			
User charges and fees .....				45			
Interest received .....				680			
Goods and Services Tax .....				1,890			
Other receipts .....				1,111			
<b>Net cash from operating activities .....</b>				<b>(13,488)</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of non-current assets .....				(1,900)			
Proceeds from the sale of non-current assets .....				523			
<b>Net cash from investing activities .....</b>				<b>(1,377)</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Repayment of borrowings .....				-			
Proceeds from borrowings .....				(1,030)			
<b>Net cash from financing activities .....</b>				<b>(1,030)</b>			
<b>NET INCREASE/ (DECREASE) IN CASH HELD .....</b>				<b>4,463</b>			
Cash assets at the beginning of the reporting period .....				7,450			
<b>Cash assets at the end of the reporting period .....</b>				<b>11,913</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 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.

<sup>(a)</sup> Following the enactment of the *Financial Management Act 2006*, as from 2007-08, agencies are no longer required to pay the Capital User Charge.

## RECONCILIATION RELATING TO REMOVAL OF CAPITAL USER CHARGE

Following the enactment of the *Financial Management Act 2006*, as from 2007-08 agencies are no longer required to pay the Capital User Charge. The impact of the Capital User Charge has been removed from the 2006-07 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.

	2006-07 Actual \$'000	2007-08 Budget \$'000	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
<b>EXPENSES</b>							
Total Cost of Services as per Income Statement.....	21,510	22,897	26,562	39,930			
Less Capital User Charge .....	92	-	-	-			
Adjusted Total Cost of Service .....	21,418	22,897	26,562	39,930			
<b>APPROPRIATIONS</b>							
Net amount appropriated to deliver services ..	21,720	25,802	26,276	18,572			
Less Capital User Charge .....	92	-	-	-			
Net amount appropriated to deliver services ..	21,628	25,802	26,276	18,572			

Agrees with Total Cost of Services in the Income Statement (illustrated on page 11).

Total amount appropriated to the agency to deliver services. This agrees to the total in the Appropriation and Forward Estimates table (illustrated on page 5).

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>)

This website contains the 2008-09 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 2008)**

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.

## **WAFAB – WESTERN AUSTRALIAN FINANCIAL ADMINISTRATION BOOKCASE** ([www.dtf.wa.gov.au/cms/tre\\_content.asp?id=551](http://www.dtf.wa.gov.au/cms/tre_content.asp?id=551))

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*.

## **BETTER PLANNING: BETTER FUTURES (SEPTEMBER 2006)** ([www.dpc.wa.gov.au/psmd](http://www.dpc.wa.gov.au/psmd))

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.

# 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.
actuals	Refer to data obtained after the event (typically financial information for a prior period). May be different to estimated or forecast data due to actual events that were not envisaged at the time of the forward estimates.
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.
amortisation	The periodic allocation of the cost of intangible or non physical assets (e.g. patents, research and development costs, copyrights), representing the amount of the asset consumed during the course of the particular period of time.
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.

Capital User Charge	A levy charged by government on the value of net assets (assets less liabilities) used by agencies in the delivery of services. While the <i>Financial Management Act 2006</i> abolished the agency requirement to pay the Capital User Charge, agencies are still required to reflect the opportunity cost of capital within their established pricing structures.
cash flow statement	A financial statement that presents cash receipts and payments for a reporting period.
cash from operating activities	Receipts and payments of cash relating to an agency's operating activities.
cash from investment activities	Relates to the purchase or sale of assets, such as land, buildings and equipment.
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.
contributed equity	The accumulated balance of capital contributions by the Government to a public sector agency.
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 2006</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.
financial statements	Collective description for the Income Statement, Cash Flow Statement, Balance Sheet and associated notes for an agency.
fiscal	The part of government policy concerned with revenue raising through taxation and other means and decisions on levels and patterns of expenditure.
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	Comprised of agencies that operate primarily with Parliamentary appropriation funding and typically provide goods and services at no charge or at low levels of recovery. The Consolidated Account is a component of the general government sector.
government goals	The broad priority areas of 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	Public sector corporations, which are engaged in providing financial intermediation services, or auxiliary financial services. Examples include the Western Australian Treasury Corporation and the Insurance Commission of Western Australia.
public non-financial corporations	These are public sector corporations, which are mainly engaged in providing market non-financial goods and services. They are expected to cover most or all of their expenses from revenue and largely operate independently of central government. Examples include the Water Corporation, electricity utilities and port authorities.

resource agreements	A signed agreement between the Treasurer, relevant Minister and the accountable authority of each agency formally endorsing the services to be delivered, the outcomes to be achieved and the financial plan of the agency. The agreements are authorised by the <i>Financial Management Act 2006</i> .
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.
total non financial public sector	This sector is defined by the consolidation of the general government and public non-financial coporation sectors. It excludes transactions between the two sectors, which are eliminated on consolidation. This sector provides the majority of public services funded from central revenue (i.e. general government functions) as well as delivery of the State's Capital Works Program which largely drives movements in debt funding requirements.
total public sector	The consolidated total of the general government, public non-financial corporations and public financial corporations sectors, also known as the whole-of-government. It excludes transactions between all three sectors which are eliminated on consolidation.

