
State Budget 2000-01

Reader's Guide

Purpose

The purpose of this Guide is to provide the reader with useful background information to assist in understanding and interpreting the 2000-01 Queensland Budget. In particular, the Guide presents a summary and brief description of the contents of the 2000-01 Budget Papers.

In addition, the Guide provides a brief explanation of:

- the accrual budgeting framework and its relationship to the Charter of Social and Fiscal Responsibility;
- the key concepts underpinning the Government's financial statements; and
- the appropriation process under accrual output budgeting.

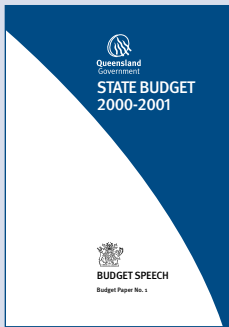
There is also a glossary of key terms used throughout the Budget Papers.

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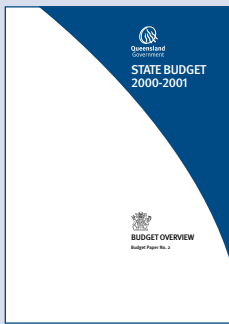


The 2000-01 Budget format incorporates the following Budget Papers:



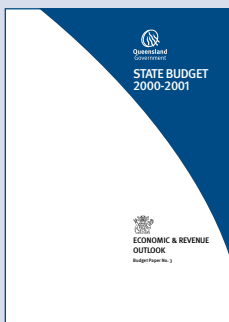
Budget Paper No 1 – Treasurer's Budget Speech

The Budget Speech gives an overview of the Government's strategic direction, priorities and plans, its fiscal and economic policies, and major expense and revenue initiatives.



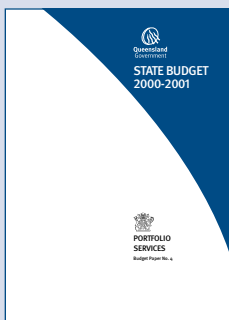
Budget Paper No 2 – Budget Overview

The Budget Overview provides the context and background to the Budget and the key financial statements for the Government as a whole. Summary information also is provided on the capital program.



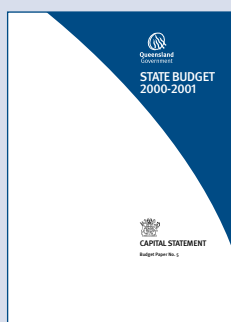
Budget Paper No 3 – Economic and Revenue Outlook

The Economic and Revenue Outlook provides information on recent economic conditions, Queensland's economic performance, revenue and forecasts. It also provides information on Federal financial relations and economic reform.



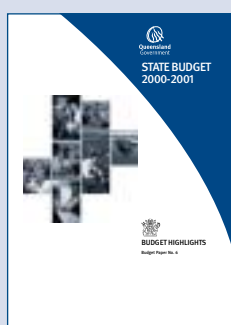
Budget Paper No 4 – Portfolio Services

This Budget Paper contains an overview of each portfolio, outlining the priorities to be achieved and the services to be provided. An Aggregated Financial Summary for each portfolio is included.



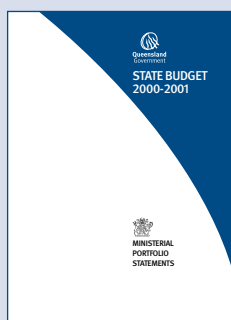
Budget Paper No 5 – Capital Statement

The Capital Statement details planned capital investment by the Queensland public sector, by portfolio and by statistical region (as defined by the Australian Bureau of Statistics). It includes total capital outlays, per capita outlays, total capital outlays by agency, and capital projects by region.



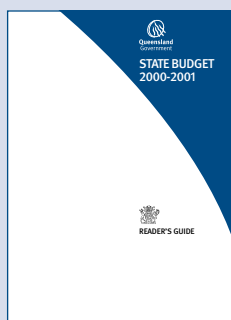
Budget Paper No 6 – Budget Highlights

This Budget Paper provides a high level summary of the key features of the Budget. It outlines the overall Budget strategy and policies including links to the Government's seven key policy priorities. It presents, in graphical format, the main Budget aggregates as well as economic conditions and the outlook for Queensland.



Ministerial Portfolio Statements

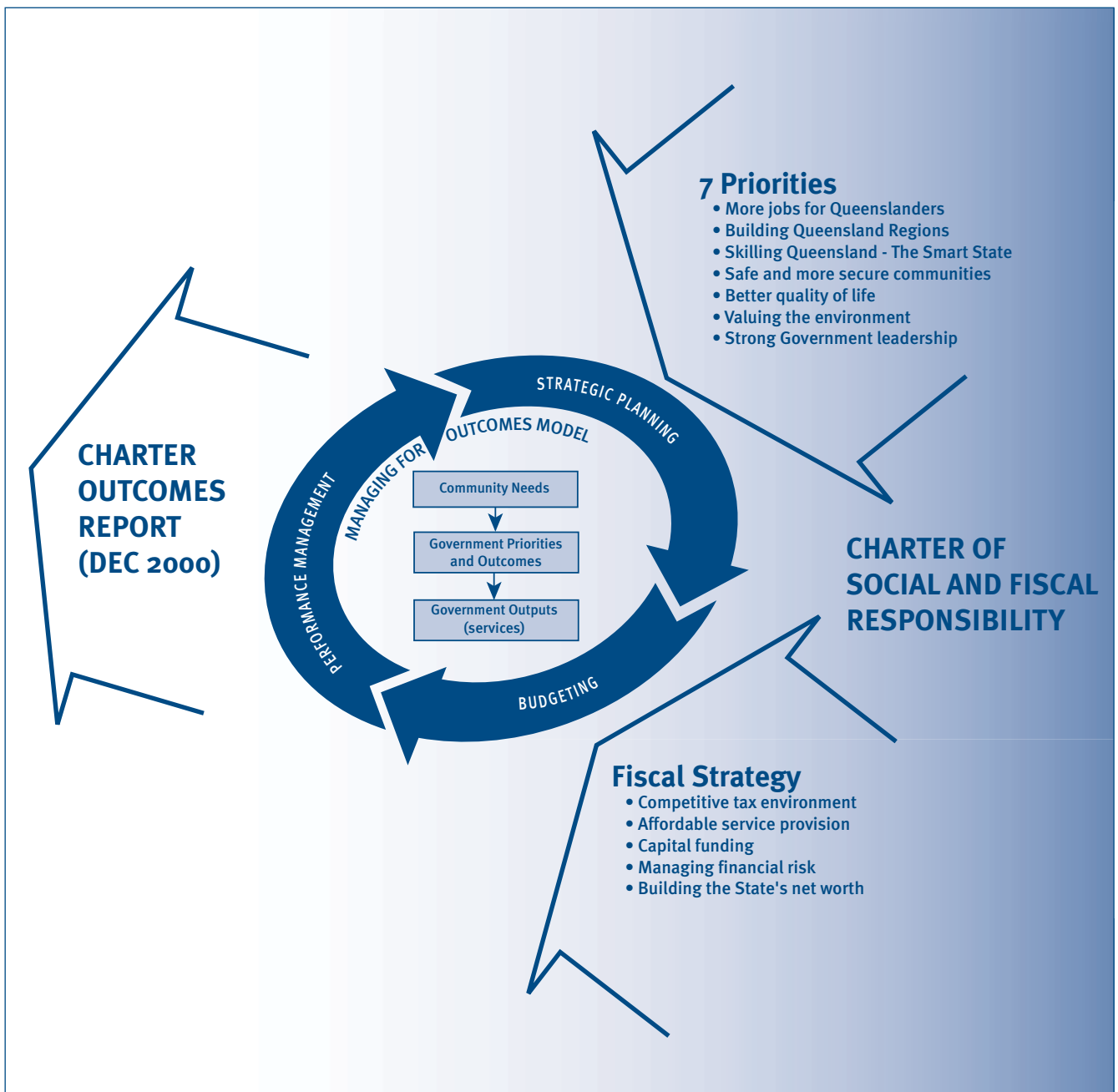
A Ministerial Portfolio Statement is presented for each Ministerial Portfolio and for the Legislative Assembly. These documents provide details of each portfolio's outcomes, outputs, key strategies and financial statements, including an operating statement for each output.



Reader's Guide

This Budget Paper provides a description of the contents of the 2000-01 Queensland Budget Papers and an overview of the accrual output budgeting framework within which the 2000-01 State Budget is prepared.

Accrual Output Budgeting and the Charter of Social and Fiscal Responsibility



Accrual Output Budgeting

In 1999-2000, the Government delivered its first accrual output budget (AOB). Accrual output budgeting is an integrated cycle of planning, budgeting and performance evaluation, which is designed to:

- translate the Government's policy priorities into funded services;
- demonstrate quality service delivery to the community;
- link accountability to results; and
- provide a framework for the Charter of Social and Fiscal Responsibility.

What are the benefits of Accrual Output Budgeting for the community?

› Greater customer focus

AOB provides funding for goods and services required by the community according to agreed quantity, quality, timeliness, cost and location performance indicators. AOB also encourages an improved focus on results achieved and not simply on inputs consumed.

› Promotes better management of the State's public resources

As a result of managing total resources and not just cash, the Government is in a better position to make more informed decisions regarding the best use of the State's public resources, not

just in the short term but also over longer time horizons.

› Promotes greater accountability

AOB promotes greater accountability as Government departments are responsible for delivering outputs in terms of agreed measures and targets. Publication of these measures and targets enhances public evaluation of the performance of the Government in meeting community needs.

› Significantly improved financial and non-financial information

There is significantly improved information presented regarding the outputs or services being delivered, the total costs of these services and the net worth of agencies and Government.

› The true financial position of the State is presented

There is a more complete picture of the development of the State's resources and the stock of the State's assets. This enables the Government to better manage future risks eg. the risk that future generations will be required to meet an unreasonable financial burden arising from undisclosed and unbudgeted financial liabilities and obligations.

What are the Key Components of Accrual Output Budgeting?

There are two key components of accrual output budgeting and they are:

- Budgeting for outputs; and
- Budgeting on an accrual basis.

Budgeting for outputs

Budgeting for outputs focuses on goods and services delivered by agencies to meet community needs. This form of budgeting strengthens the links between outputs and Government priorities and provides the community with a clearer picture of the outcomes that the Government is achieving rather than just the dollars it is spending.

The key elements of this framework are:

- **Priorities** – High level, whole-of-government results considered to be the most important in meeting community needs.
- **Outcomes** – Outcomes are pitched at a lower level than priorities, are strategic in nature and focus on specific impacts on communities. Outcomes generally are influenced by factors other than government service delivery.
- **Outputs** – The services that an agency delivers to the community that are within the direct or indirect control of the agency.
- **Inputs** – Resources used in producing goods and services.

PRIORITIES

The results the Government intends to achieve for the community



Example –
Safer and more
supportive communities

OUTCOMES

Specific impacts on the community targeted to achieve a priority



Example –
Children protected from harm

Example –
Causes of crime addressed
through targeted, co-ordinated
and consultative initiatives

OUTPUTS

Services provided to help achieve a priority



Example –
Secure Custody Correctional
Services

Example –
Families and Community
Support

INPUTS

The resources used in producing goods and services

Example -
Staff

Example –
Office
Equipment

Example -
Buildings

Budgeting for Accruals

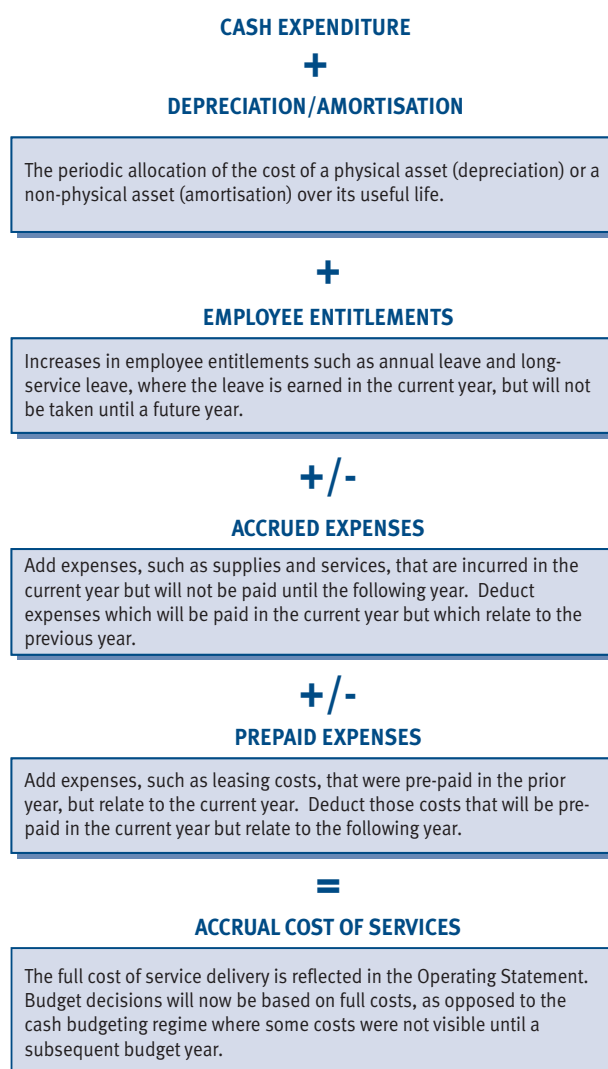
The main difference between accrual budgeting and the former cash system is that, in addition to cash, accrual budgeting recognise non-cash costs such as long service leave entitlements and depreciation which were incurred but not properly accounted for under cash.

- Accrual budgeting provides a more complete picture of both an agency's actual financial position and the State's position than was possible under the previous cash system. It illustrates how current decisions affect the financial position of Queensland in the future, by showing the impact of those decisions in the longer term.
- Accrual information clearly identifies whether Government revenue is sufficient to cover the full cost of the services delivered in a financial year, including the impact of decisions made now that will affect cash outflows in the future. In this way, the information shows whether the Government is living within its means and whether revenue is sufficient to sustain services in the long term.
- The focus now has shifted from year by year cash management to total resource management of service delivery. The information available under accrual budgeting improves the assessment of performance and enhances the information available to

Government for making decisions about resourcing.

- Accountability and transparency of government accounting are improved by budgeting and reporting on an accruals basis.

THE RELATIONSHIP BETWEEN CASH AND ACCRUALS



FINANCIAL STATEMENTS

Under accrual accounting, the Budget Papers include, at both the whole-of-Government and agency level, an Operating Statement, Statement of Financial Position and Statement of Cash Flows.

Operating Statement

- The Operating Statement details the budgeted revenues and expenses, and estimated operating result for the Budget year and the previous year's Budget and Actuals.
- Agency revenues include payments for outputs from the Government and own-source revenues such as specific purpose payments from the Commonwealth and user charges. Expenses include cash items such as salaries, consumables and grant payments, and non-cash items such as depreciation and accruing employee entitlements.
- The operating result is the agency's accrual surplus or deficit. Because of the inclusion of non-cash revenues and expenses, this differs from a cash surplus or deficit. An operating surplus means that revenues earned during the year exceed operating expenses, while an operating deficit means that expenses incurred during the year are greater than operating revenues.

Statement of Financial Position

- The Statement of Financial Position shows the estimated assets, liabilities and equity (net worth) at year end for the Budget year and the previous year's Budget and Actuals.
- Assets are the physical and non-physical items that an agency owns and/or controls, that are used over their useful life in the delivery of services, such as cash, receivables, property, plant and equipment. Liabilities are amounts owed by the agency, such as accounts payable, borrowings and employee entitlements.
- Assets and liabilities are classified into "current" and "non-current". Current assets and liabilities are those which are expected to be used or discharged within the next 12 months. Non-current assets and liabilities are those which are expected to be held for more than one year, or not discharged within the next 12 months.
- The surplus of assets over the liabilities represents the net value of the owner's interest in the agency. It is the Government, on

behalf of the community, which holds the ownership rights to Government agencies and which bears the associated risks.

Statement of Cash Flows

- The Statement of Cash Flows shows estimated cash inflows and outflows during the Budget year and the previous year's Budget and Actuals. The flows of cash are categorised into Operating, Investing and Financing activities.
- Operating activities are those activities that relate to the provision of services. Included in the inflows from operating activities is payment for outputs from the Government. As this revenue includes payment for non-cash expenses such as depreciation, agencies generally will show a cash surplus on operations, which is used to fund the acquisition of assets.
- Investing activities are those activities that relate to the acquisition and disposal of property, plant and equipment, and other capital items.
- Financing activities are those activities that relate to sources of funding, such as borrowing and equity adjustments from Government.



Operating Statement

Revenues

- Payments for outputs
- User charges and fees
- Other revenues

Expenses

- Employee expenses
- Supplies and services
- Depreciation
- Equity return
- Grants and subsidies
- Other expenses

Operating Result

Statement of Financial Position

Assets

Current

- Cash
- Inventories
- Receivables

Non-Current

- Property, plant and equipment
- Intangibles

Liabilities

Current

- Payables
- Provisions

Non-Current

- Borrowings
- Provisions

Equity (Net Worth)

Statement of Cash Flows

Cash flows from Operating Activities

Cash flows from Investing Activities

Cash flows from Financing Activities

Cash at end of Financial Year

The revenues appropriated by Government to an agency for the purchase of outputs ie. to deliver services to the community.

Fees charged to specific users of services eg. TAFE fees and land title search fees.

Includes interest revenue, specific purpose grants from the Commonwealth and other contributions.

Wages, salaries and accruing leave costs for Government employees.

Consumables such as electricity, rent, lease payments and stationery used to produce outputs.

Cost of using property and equipment, a non-cash cost which reduces the value of the asset to which it relates.

Cost of holding capital (fully funded in 1999-2000)

Payments made to community groups, not-for-profit organisations and other bodies external to Government.

Other expenses include audit fees, operating lease rentals and sundry expenses.

The operating results show an agency's accounting surplus or deficit. It provides an indication as to whether an agency has sufficient revenue to meet expenses in the current year, including non-cash costs such as depreciation.

Cash held at the end of the financial year – reconciles to the Statement of Cash Flows.

Stocks of consumables on hand, such as medical equipment, spare parts for equipment.

Amounts owing to the agency from other organisations expected to be received within 12 months.

Physical assets that generally last more than one year, such as buildings, computer hardware and office equipment.

Non-physical assets that generally last more than one year, such as computer software, patents and copyrights.

Amounts owed by the agency to other organisations expected to be paid within 12 months.

Amounts due eg. to employees for annual leave and long service leave, expected to be paid within 12 months.

Amounts owing on loans not expected to be paid within the next 12 months.

Amounts due eg to employees for long service leave, not expected to be paid within the next 12 months.

Equity is the surplus of assets over liabilities. It represents the value of the Government's net interest in an agency, and is the amount remaining after all liabilities or obligations have been met. This measure shows that the Government, on behalf of the community, holds the ownership interest in Government agencies and bears the associated ownership risk.

Activities that relate to the provision of outputs or services. Because operating receipts include payment for non-cash expenses, agencies generally will show a cash surplus on operations. This surplus is available to meet future obligations and/or fund future capital expenditure.

Activities that relate to the acquisition and disposal of property, plant and equipment and other capital items.

Includes borrowings and arrangements in the nature of borrowings (eg. Finance leasing) undertaken by the agency, and equity adjustments in the agency made by the Government.

The cash held on account of an agency at the end of the financial year eg in bank accounts. It reconciles to the cash showing in the Statement of Financial Position.

Glossary of Key Terms

This glossary relates to key terms used in this document and other Budget Papers. While not exhaustive, it is designed to provide readers with definitions or explanations of many terms that appear in the Budget Papers.

Accrual Accounting	Recognition of economic events and other transactions involving revenues, expenses, assets, liabilities and equity as they occur, rather than when a flow of cash occurs.
Accrual Output Budgeting	A system of budgeting that focuses on the delivery of outputs by agencies to meet the Government's priorities, within a financial framework based on full accrual accounting.
Accrued expenses	Those expenses which are incurred in the current year, but may not be paid until the following year, such as electricity and telephone costs.
Activity	The work performed to produce outputs. Activities describe what an organisation does and the way its employees spend their time.
Administered Items	Assets, liabilities, revenues and expenses that an agency administers on behalf of the Government, but over which the agency does not exercise direct control.
Agency	Used generically to describe the various organisational units within Government that deliver services. The term can include departments, commercialised business units, or statutory bodies.
Amortisation	The periodic allocation of the cost of intangible or non-physical assets (eg. patents, research and development costs, copyrights) and natural resources (eg. forests), representing the amount of the asset consumed during the course of that particular period of time.
Appropriation	<p>The vehicle by which Parliament approves expenditure of monies from the Consolidated Fund, as proposed in the Budget. Previously, appropriation was made directly to agencies as a limit on their cash expenditures. Under accrual output budgeting, appropriation becomes a revenue-based process whereby Parliament gives approval to the Treasurer to issue funds to agencies during the Budget year as the State's contribution to:</p> <ul style="list-style-type: none">• the delivery of agreed outputs;• items administered on behalf of the whole-of-Government; and• adjusting the Government's equity holding in that agency. <p>The total State Contribution for each agency is known as the agency's Vote. A diagrammatic representation of the Appropriation process is included as an appendix to this guide.</p>

Assets	Physical and non-physical items with an expected life greater than one year that an agency owns and/or controls, and that are used in the delivery of services. Examples include buildings, x-ray machines, school laboratory equipment and computer hardware and software.
Australian Accounting Standard (AAS) 29	The accounting standard that specifies the general purpose financial reporting requirements for government departments.
Australian Accounting Standard (AAS) 31	The accounting standard that specifies the general purpose financial reporting requirements for governments at a consolidated or whole-of-Government level.
Balance Sheet	A report outlining the assets, liabilities and equity (net worth) of an agency or the Government as a whole at a specific date. Also known as a Statement of Financial Position.
Budget	An outline of the Government's priorities and plans for the coming year, expressed in terms of financial information and non-financial performance information.
Budget Documentation	The Budget Papers tabled in Parliament. An outline of the Budget Papers for 2000-01 is presented on pages 4 and 5 of this document.
Capital	A term used to refer to the stock of assets, including property, plant and equipment, intangible assets and inventories, that an agency owns and/or controls, and uses in the delivery of services, and capital grants made to other entities. (Refer to Budget Paper no. 5 for full details)
Cash Budget	A Budget based on cash received within a year and cash paid in the same period. Under cash budgeting, assets are treated as one-off items, with the cost being recognised only at the time of purchase, even though assets are used over a number of years in the delivery of services.
Cash Flow Statement	A financial statement that reports the inflows and outflows of cash for a particular period for the operating, investing and financing activities undertaken by an agency or the Government as a whole.
Commercialised Business Unit	An agency business undertaking which operates, as far as practicable, on a commercial and competitively neutral basis.
Consolidated Fund	The whole-of-Government operating fund into which administered funds are paid, and from which the cost of the activities of Government are paid as appropriated by Parliament.

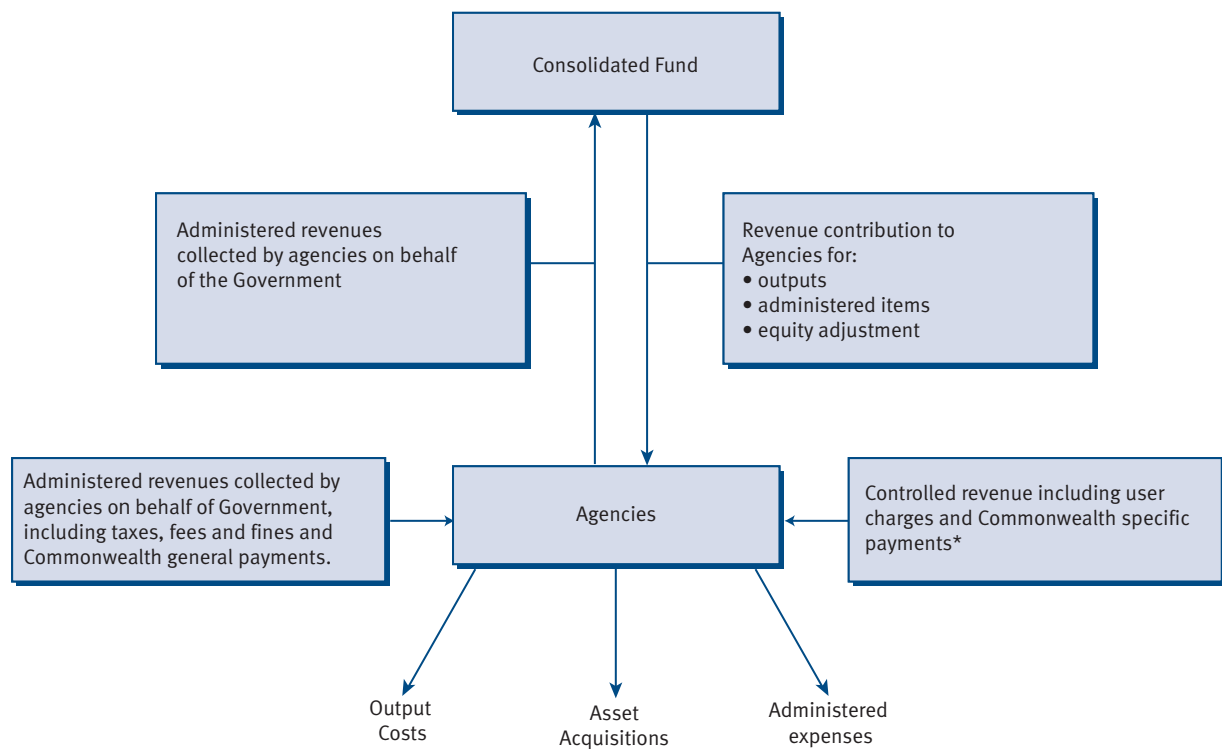
Consolidation	An overall view of the financial position of the Queensland Government. It is derived by combining the financial statements of all Government agencies and eliminating the transactions that have occurred between agencies. Also referred to as “whole-of Government consolidation”.
Contingent Assets and Liabilities	Items which are not recognised in the Statement of Financial Position because they cannot be measured reliably or because there is a degree of uncertainty as to whether they will be realised. Examples include guarantees and legal claims before the courts.
Controlled Items	Assets, liabilities, revenues and expenses that are directly controlled by departments, in that they relate directly to the department’s operational objectives.
Depreciation	The periodic allocation of the cost of physical assets, representing the amount of the asset consumed during the course of that particular period of time.
Employee entitlements	Those benefits that employees earn, such as annual and long service leave, that may or may not be paid in the current year.
Equity	The surplus of assets over liabilities. It represents the Government’s net financial interest in an agency.
Equity Injection	An increase in the investment of the Government in the equity of a public sector agency.
Equity Withdrawal	A decrease in the investment of the Government in the equity of a public sector agency.
Equity Return	A periodic payment reflecting the potential benefit foregone by Government as a result of its investment in the equity of an agency. As a balance sheet incentive, it is designed to encourage agencies to maintain a capital structure appropriate for the delivery of services.
Estimates Committees	The Parliamentary Committees that meet to scrutinise the Budget in order to ensure accountability in the operations of Government agencies.
Expenses	The full accrual cost of delivering services to the community reported in the Operating Statement. Controlled expenses include cash costs such as employee costs, supplies and services (consumables), grant expenses, and non-cash costs such as depreciation. Administered expenses generally relate to grants to non-Government bodies over which the agency does not exercise complete control.
Financial Statements	Collective description for the Operating Statement, the Statement of Financial Position, the Statement of Cash Flows and associated notes of agencies and the Government as a whole.

Financing Activities	Activities, such as borrowing and equity adjustments, which provide additional balance sheet financing for an agency.
Fiscal Limit	<p>The sum of an agency's appropriation from Government through the Consolidated Fund for the following items:</p> <ul style="list-style-type: none"> • outputs; • equity adjustment; and • administered items. <p>The fiscal limit represents the State's total contribution to the agency for the delivery of outputs for the year.</p>
Forward Estimates	Estimates (on a rolling three year basis) of future baseline funding requirements. These estimates assume there will be no significant change in Government policy, and are designed to provide agencies with a longer-term perspective to the Budget process.
General Government Sector	Authorities that typically provide goods and services at no charge or at low levels of recovery including departments, statutory bodies and commercialised business.
Government Finance Statistics (GFS)	The uniform format developed by the Australian Bureau of Statistics for the presentation of Government financial information on a comparable basis between jurisdictions. GFS are disaggregated into three sectors; General Government; Public Trading Enterprises; and Public Financial Enterprises. Further details are provided in Budget Paper No 2.
Investing Activities	Activities which relate to the acquisition and disposal of property, plant, equipment and other capital items of an agency.
Liabilities	Amounts an agency owes to another entity which are incurred in the course of doing business. Liabilities include items such as accounts payable, borrowings and employee entitlements.
Operating Activities	Activities which relate to the provision of outputs or services by an agency.
Operating Result	The accounting surplus or deficit of an agency or the Government as a whole. It provides an indication of whether the agency has sufficient revenue to meet expenses in the current year, including non-cash costs such as depreciation. Because of the inclusion of non-cash revenues and expenses, this is different from a cash surplus or deficit. An operating surplus indicates that revenues earned from operations during the year are greater than the expenses incurred for the year, while an operating deficit indicates that operating expenses exceed revenues.

Outcome Indicator	A measure used to assess the extent to which Government outcomes are being achieved, eg, employment growth, including a 5% unemployment rate target, is a measure for the outcomes “Business and industry assisted to create secure sustainable jobs”.
Outcomes	The effects on, or consequences for, the community of Government funded services and other Government activities, such as the use of regulatory powers.
Outputs	Discrete services that are provided by agencies for external clients (including policy advice provided to Ministers). Output details are provided in the Ministerial Portfolio Statements.
Ministerial Portfolio Statement	A Budget Paper which is prepared by the individual agencies reporting to each Minister and which sets out the priorities, plans and financial statements of those agencies.
Performance Measures	Units of measurement used to determine and assess the delivery of services. They measure the quantity, quality, cost, timeliness and, where appropriate, location of services. Full details for each agency are provided in the Ministerial Portfolio Statements.
Program	Key result areas for the achievement of corporate goals with identified inputs and services.
Public Financial Enterprises	Authorities that are Government controlled which perform central bank functions, or accept demand, time or savings deposits, or that have the authority to incur liabilities and acquire financial assets in the market on their own account, eg. Queensland Treasury Corporation, Workcover (see also Government Finance Statistics).
Public Trading Enterprises	Non-financial authorities that provide goods and services in the market and generally operate on a commercial or quasi-commercial basis eg. Queensland Rail, electricity GOCs. (see also Government Finance Statistics).
Revenues	The full accrual income arising from operations during the year, recorded in the Operating Statement. Controlled revenues include revenue from the State Government in the form of payments for outputs, and own-source revenue such as specific purpose payments from the Commonwealth and user charges. Administered revenues are revenues which are forwarded to the Consolidated Fund, and generally comprise taxes, fees and fines, royalty revenues and general purpose Commonwealth grants.
Statement of Financial Position	See definition of Balance Sheet.

Statutory Bodies	Agencies established by legislation for a specific purpose, which can operate either inside or outside the General Government Sector.
Strategic Planning	A cyclical process through which an agency determines its desired future direction, in the light of environmental factors and the Government's key priorities (eg. as documented in the Charter of Social and Fiscal Responsibility), and identifies the means by which this is to be achieved.
Total Funding	<p>The total funding sources an agency has available to spend in a financial year to provide services to the community and to maintain its net assets. It comprises two main components: Operating Funding Sources and Capital Funding Sources.</p> <p>Operating Funding Sources meet the costs of outputs (services) provided by the agency and generally include payments from the Government (payments for outputs and administered expenses) and own source revenue (grants and subsidies, and user charges).</p> <p>Capital Funding Sources meet the costs of maintaining the net assets of the agency such as acquiring new assets, and include payments from the Government (depreciation and equity injections), proceeds of assets sales and borrowings.</p> <p>The Total Funding includes the equity return provided to agencies in 2000-01, but excludes the administered revenue transferred by the agency to the Consolidated Fund as the agency does not have the discretion to spend this revenue in providing its services.</p>
Uniform Presentation Framework (UPF)	A reporting regime developed through an inter-jurisdictional agreement between the Commonwealth, State and Territory Governments for the reporting of comparable financial information at whole-of-Government level.
Vote	The total amount appropriated for an agency by Parliament in an Annual Appropriation Act. The Annual Appropriation Act also will note how the total is distributed between agency outputs, administered items and equity adjustments (see also Appropriation).
Whole-of-Government Consolidation	Refer to definition of "Consolidation".
Whole-of-Government Priorities	The key priority areas that the Government is targeting over its current term, eg more jobs for Queenslanders.

THE APPROPRIATION PROCESS



Appropriation is a revenue-based payment to agencies for the delivery of agreed outputs, equity and administered items.

*Controlled revenue is not transferred to the Consolidated Fund, but is retained by agencies as own source income to fund service delivery. Nevertheless, for the purposes of the Financial Administration and Audit Act, such revenue is deemed to be appropriated.