

# Highlights

## Since the 1999-2000 Budget:

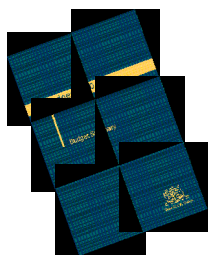
- ◆ The Government Finance Statistics (GFS) presentation has moved to an accrual basis;
- ◆ The main Budget Statements focus on the GFS presentation;
- ◆ The main Budget Result is now the GFS net lending result. This represents the Government's ability to reduce its level of net financial liabilities.

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### The objectives of this Guide are to:

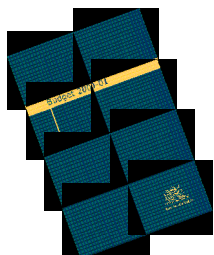
- ◆ Extend the reader's understanding of NSW public finances;
- ◆ Explain the presentation of this Budget; and
- ◆ Help readers understand the impact of changes in the reporting of performance of public service delivery and NSW's financial position.

# Budget Papers Made Easy



## budget summary

Sets out in simple graphical form the key elements of the Budget.



## budget guide

Provides step by step help for understanding the Budget Papers.



## budget speech

*Budget Paper No. 1*

Sets out the Government's budgetary strategy and financial plans.



## budget statement

*Budget Paper No. 2*

Presents detailed information both on the Budget itself (ie for the General Government Sector) and on State finances more generally.

Contents:

- ◆ *Overview of Strategic Direction and Environment*
- ◆ *Budget Position and Outlook*
- ◆ *General Government Sector Revenues*
- ◆ *General Government Sector Service Delivery*
- ◆ *Asset and Liability Management*
- ◆ *Sydney 2000 Olympic and Paralympic Games*
- ◆ *Tax Expenditure and Concessions Statement*
- ◆ *Financial Arrangements with the Commonwealth*
- ◆ *Government Finance Statistics and Uniform Reporting Framework*

## budget estimates

*Budget Paper No. 3, Volumes 1 and 2*

Contains detailed revenue and expense information on an agency, program and portfolio basis. Information is provided on the net cost of providing services for each agency's programs.



## state asset acquisition program

*Budget Paper No. 4*

Provides details of the General Government Sector and Public Trading Enterprise Sector Asset Acquisition Programs for 2000-01.

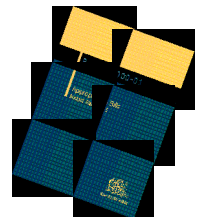


## appropriation bills

*Budget Paper No. 5*

Contains three Bills:

- ◆ a Special Offices Bill to provide funding for the Ombudsman's Office, State Electoral Office, Independent Commission Against Corruption, and the Office of the Director of Public Prosecutions
- ◆ a Bill to provide funding for the Parliament
- ◆ a general Appropriation Bill covering the remaining General Government Sector agencies.



## western sydney budget statement

Details Government spending in the Western Sydney area.



## budget highlights for regional and rural new south wales

Details Government spending in regional NSW.



**This Section briefly describes the contents of each Budget Paper**



# Budget Presentation

Prior to the 2000-01 Budget, the NSW Budget Papers were prepared on two bases:

- ◆ An accrual presentation in accordance with Australian Accounting Standards and Principles.
- ◆ A cash basis in accordance with Government Finance Statistics (GFS) principles as defined by the Australian Bureau of Statistics.

This year GFS reporting has moved to an accrual presentation in line with other Australian Governments. The Budget presentation in Budget Paper No. 2 has been changed with the focus being on an accrual GFS presentation:

- ◆ The Budget Operating Statement combines the normal accounting operating statement and additional disclosures under the new GFS accrual format. The main Budget focus will be the Net Lending Result. The Net Lending Result shows by how much the Government can reduce its financial liabilities - debt, unfunded superannuation and other liabilities.
- ◆ The Statement of Financial Position (Balance Sheet) adopts the GFS approach and classifies assets and liabilities as financial or non-financial rather than current and non-current as in accounting statements. The key focus is Net Financial Liabilities. Net Financial Liabilities is equal to financial liabilities less financial assets.
- ◆ The Statement of Cash Flows adopts a GFS format and classification approach with the key focus being the cash surplus/(deficit). The cash surplus/(deficit) result is broadly the same as the cash result under the old GFS system.

The normal accounting statements are disclosed in Appendix A of Budget Paper No. 2.

Agency based financial information contained in Budget Paper No. 3 will continue to be presented in a standard accounting format. Agency level revenues and expenses in Budget Paper No. 3 are consolidated in the Budget Operating Statement in Budget Paper No. 2.

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# Budget Operating Statement

*Otherwise known as the Profit and Loss Statement.*

## State Revenues

Includes taxes, fines and fees, financial distributions from Government businesses and Commonwealth grants.

## Operating Revenues

Includes revenue earned in the period, even if not yet received.

Includes revenues from sale of goods and services, investment income and grants at individual agency level.

## Operating Expenses

### employee related

Expenses include salaries and wages and employee entitlements such as superannuation and long service leave.

### operating, depreciation and grants expenses

Includes all other operating expenses, maintenance of fixed assets, interest, depreciation and other expenses. Does not include expenditure on the purchase of assets.

## Net Cost of Services

Measures the net cost of providing Government services. It equals Operating Expenses less Operating Revenues.

## Accounting Surplus/(Deficit)

This is the accounting result for the financial year, which corresponds to profit or loss in private sector reports. It equals State Revenues less the Net Cost of Services.

## Valuation gains/(losses)

Revenues or expenses included in the Accounting Surplus which are related to the revaluation of assets or liabilities, e.g. superannuation actuarial assessments.

## GFS Net Operating Balance

This is the GFS equivalent of the Accounting Surplus. It equals the Accounting Surplus less valuation gains/(losses).

## Adjustment for Net Capital Acquisitions

This adjustment adds the depreciation charge back into the GFS operating result and then includes the financial impact of capital expenditure and asset sales.

## GFS Net Lending

This is the main Budget Result for the year and broadly represents the Government's capacity to reduce the State's Net Financial Liabilities.

## Cash GFS Surplus

Equals the Net Lending result after adjusting for timing difference between an expense or revenue being recognised and cash changing hands. The cash result gives an indication of the Government's direct impact on the economy and its ability to reduce gross debt.

# Statement of Financial Position

*Also known as the Balance Sheet.*

*A financial snap-shot of a government taken at the end of each year.*

### Assets

Are controlled and provide future economic benefits.

#### Financial Assets

Include cash, investments, receivables and the Government's equity in the Public Trading and Financial Enterprise sectors (PTE/PFE sectors).

#### Non-Financial Assets

Largely comprise the Government's holdings of fixed assets, such as hospitals and schools, and land.

### Liabilities

Are amounts owed to other parties. They are, by their nature, financial and include debt obligations, unfunded superannuation, other employee entitlements and amounts payable to suppliers.

### Net Worth

Represents total assets less total liabilities.

### Net Debt

Is broadly equal to gross borrowings less cash and investments.

### Net Financial Liabilities

Is broader in concept than Net Debt and best represents the financial position of the Government. It includes all financial liabilities (such as unfunded superannuation and insurance liabilities) less all financial assets (with the exception of the Government's equity in the PTE/PFE sectors).

# Statement of Cash Flows

*Also known as the Cash Flow Statement.*

## Operating Cash Flows

Shows all payments and receipts relating to normal business operations.

### Payments and Receipts

Are not the same as expenses and revenue in the Operating Statement because the receipt or payment may relate to transactions which occur in the previous or next financial year.

## Cash Flows from Investing in Non-Financial Assets

Shows payments and receipts relating to the purchase or sale of non-financial assets such as land, buildings and infrastructure assets.

## Cash Flows from Investing in Financial Assets

Shows payments and receipts relating to financial assets.

## Cash Flows from Financing Activities

Shows all payments and receipts relating to changing the size or composition of an organisation's financial structure. Changes to borrowings are shown in this section.

## Net Movement in Cash Held

Shows the net result of all cash receipts and payments for the financial year.

## Cash GFS Surplus/(Deficit)

The surplus/(deficit) is equal to the net cash flows from operating activities and investing in non-financial assets.



# Financial Reporting and Accounting in the General Government Sector

*A number of financial statements are issued during the course of the year and at year-end to report on progress against Budget Estimates and to account to Parliament and the Public.*

## Monthly Financial Statement

This statement is released monthly to provide cumulative summaries of the outlays, revenue and grants received and financing transactions for the General Government Sector for the financial year to date. There is also a statement of the balances of cash and securities held by the Treasurer. These figures are shown against the Estimates made for the year.

## Mid-Year Budget Update

A statement is issued each February which provides an update of the latest economic and Budget projections for the current financial year as at the end of the previous December. The statements include an explanation of significant variations in major aggregates from the projections included in the Budget Papers.

Also included are 3 year Forward Estimates of the Budget.

## The Consolidated Financial Statements and the Public Accounts

For the first time in 1998, the Public Accounts and the Consolidated Financial Statements of the New South Wales Government were produced as a combined presentation.

The Public Accounts cover the General Government Sector.

The Public Accounts are prepared on an accrual accounting basis and include the Budget result for the past year determined in accordance with Government Finance Statistics principles.

The Consolidated Financial Statements cover the Total State Sector.

The Consolidated Financial Statements present accrual accounting information on the General Government, Public Trading Enterprise and Public Financial Enterprise Sectors. These financial statements include an Operating Statement, a Statement of Financial Position (i.e. balance sheet) and a Statement of Cash Flows. Detailed notes are included to comply with Australian Accounting Standards and the *Public Finance and Audit Act 1983*.

## The Auditor-General's Reports

The *Public Finance and Audit Act 1983* requires the Auditor-General to audit the Consolidated Financial Statements of the NSW Public Sector, including the Public Accounts, and provide an audit opinion to the Treasurer. Each year the Auditor-General also submits to Parliament a comprehensive Report comprising four Volumes.

These Volumes include:

- ◆ a review of the State's Consolidated Financial Statements and the Public Accounts;
- ◆ a review of the financial operations of Budget dependent General Government Sector agencies; and
- ◆ two reports on the State's statutory bodies and State Owned Corporations.

## Annual Reports - Departments and Statutory Bodies

Government Departments and statutory bodies are required by legislation to prepare annual reports. The reports include audited financial statements prepared in accordance with the *Public Finance and Audit Act 1983* and a narrative report as specified in the Annual Reports Acts and Regulations.

## NSW Parliamentary Public Accounts Committee Reports

The Public Accounts Committee comprises five members of the Legislative Assembly. It is appointed to examine the Public Accounts, the accounts of authorities and the Auditor-General's Reports and to report to the Legislative Assembly on any matter connected with those accounts. It reports either on its own initiative or as a result of a reference from the Legislative Assembly, a Minister or the Auditor-General. A report by the Committee is printed and published once it has been transmitted to the Clerk of the Legislative Assembly. Publication is not dependent on Parliament being in session.

## These Sections:

- ◆ Detail reporting against the Budget throughout the year
- ◆ Define the scope of the Budget Papers in 2000-01

# Budget Scope

The Budget incorporates all General Government Sector agencies as defined by the Australian Bureau of Statistics (ABS). A list of New South Wales public sector agencies (classified according to sector) appears as an Appendix to Budget Paper No. 2.

The General Government Sector covers all agencies that receive Parliamentary appropriations or are regulatory in nature.

Defining the Budget Sector as equal to the General Government Sector improves transparency and accountability by providing:

- ◆ a comprehensive picture of the non-commercial operations of the Government; and
- ◆ an independent definition of the Budget's scope.

The financial transactions of Public Financial Enterprise (PFE) Sector and Public Trading Enterprise (PTE) Sector agencies are not generally reflected in the Budget aggregates.

However, there are two exceptions to the above which the Budget aggregates do include. These are:

- ◆ explicit payments for “social programs”, which are non-commercial functions required of Public Trading Enterprises by the Government; and
- ◆ dividends, tax equivalent payments and guarantee fees payable by the Public Trading and Financial Enterprise Sectors to the General Government Sector.

Another important measure of the Government's performance is how the Government is managing the Total State Sector Balance Sheet. Budget Paper No.2 Chapter 5, *Asset and Liability Management* includes commentary on the management of Total State Sector assets and liabilities, including net debt and superannuation liabilities.

Similarly, Budget Paper No. 2, Chapter 9 entitled *Government Finance Statistics and Uniform Reporting Framework* includes information presented on a GFS format for an extended coverage, that is, both the General Government Sector and the Public Trading Enterprise Sector. This fulfils uniform presentation framework requirements agreed between the Commonwealth and State Governments.

# Terminology

## Accrual Accounting Statements

Consist of an Operating Statement, a Statement of Cash Flows and a Statement of Financial Position. These are prepared in accordance with accrual accounting principles and Australian Accounting Standards.

## Appropriations

The process by which monies are allocated by Parliament to Ministers for the purposes of funding agencies to provide goods and services to the public.

## Budget-Dependent Agencies

Agencies that are predominantly funded from the Consolidated Fund, rather than user charges.

## Consolidated Fund

The main banking account of the Government. It records:

- ◆ Taxes, fines, fees collected;
- ◆ Commonwealth grants;
- ◆ Financial distributions from non-General Government agencies; and
- ◆ Recurrent and capital appropriations to agencies.

## Equivalent Full-Time (EFT)

Standard measure of staffing which measures an agency's labour force in terms of an equivalent number of full-time positions.

## General Government Debt Elimination Act 1995

The Act contains a number of provisions dealing with the coverage of the Budget and the standards to be used in presenting Budget data. Sets targets over time for the sound financial management of the State.

## General Government Non Budget-Dependent Agencies

Agencies that do not rely on the Consolidated Fund for ongoing financial support, but which are not commercial agencies.

## General Government Sector

Consists of those public sector entities, which provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes, in accordance with ABS definitions.

## Government Finance Statistics (GFS)

A system developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

## Net Appropriations

Parliamentary appropriations are net of revenue from sales of goods and services and other items of operating revenue which are retained by agencies and not passed through the Consolidated Fund.

## Net Cost of Services

Total expenses less user charges revenue and other revenues retained by agencies.

## Operating Statement

Details the major categories of expenses and revenues of agencies and includes non-cash items such as depreciation and accruing superannuation entitlements. Also, the Statement reflects movements in accrued items such as accounts receivable and accounts payable.

## Outcomes

The results for the community which the Government is seeking to influence.

## Outputs

Goods and services provided by agencies to assist in the achievement of the Government's desired outcomes.

## Program Description

Explains the activities which are grouped together within each program of an agency.

## Program Objectives

Statements of the broad aims of the program.

## Program Statements

Each program statement includes narrative material - program objectives and program description - as well as staffing and detailed financial information.

## Public Financial Enterprise (PFE)

Agencies which have one, or more, of the following functions:

- ◆ That of a central bank;
- ◆ The acceptance of demand, time or savings deposits; or
- ◆ The authority to incur liabilities and acquire financial assets in the market of their own account.

## Public Trading Enterprise (PTE)

Agencies which charge for services provided and hence have a broadly commercial orientation.

## Social Programs

Non-commercial requirements imposed on Public Trading Enterprises by the Government.

## Statement of Cash Flows

Contains cash inflows and outflows from the agency's main operations, together with cash flows derived from both investing and financing activities.

## Statement of Financial Position

Shows assets, liabilities and equity and is prepared for each agency and at a consolidated sector level.

## Total Average Staffing

Represents the number of staff engaged on outputs produced by the program.

## Total Expenses

The total amount incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year.

## Total State Sector

Comprises the General Government Sector, the Public Financial Enterprise Sector and the Public Trading Enterprise Sector.