



Australian Government

Department of Finance and Deregulation

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Developments in the Australian Budgeting Framework

OECD Accruals Symposium

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Tim Youngberry

First Assistant Secretary

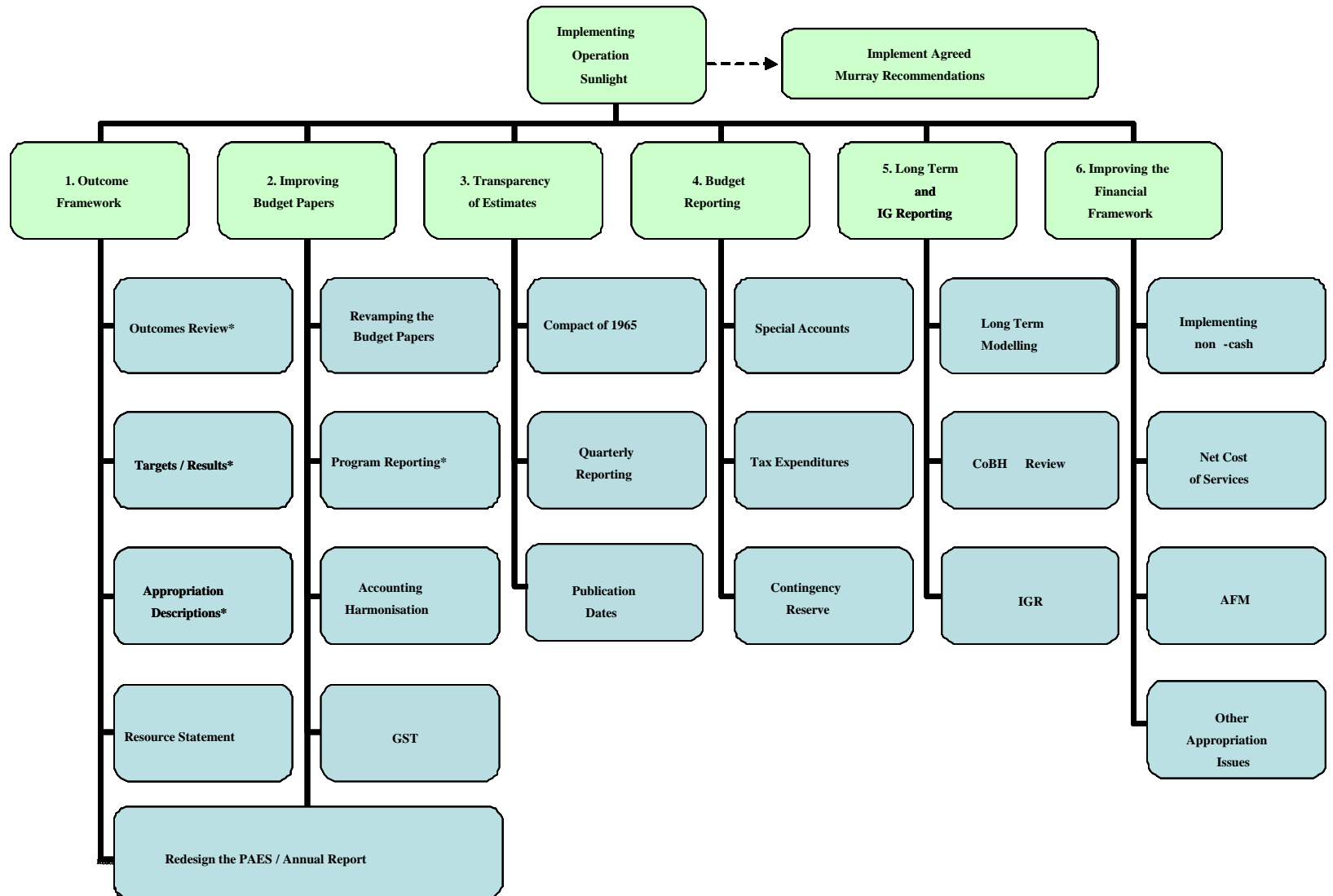
Financial Reporting and Cash Management Division

Australian Department of Finance and Deregulation



Operation Sunlight

- Operation Sunlight is the Australian Government's reform agenda to enhance public sector financial management
- Seeks to improve budgeting transparency and Government decision making
- Represents a significant package of reforms and a long term investment in greater accountability





What has changed over the last 12 months?

- Outcomes framework
- Improved budget reporting
- Net cash appropriation framework



Outcomes Framework

- Finance completed a review of 195 outcomes statements to make them more detailed and specific
- Outcome statements for all general government sector agencies – must specify intended results, target groups and activities undertaken
- For example - Australian Crime Commission
 - Old – Enhanced Australian law enforcement capacity
 - New - Reduction in the threat and impact of serious and organised crime, through analysis of and operations against national criminal activity, for governments, law enforcement agencies and private sector organisations



Improved Budget Reporting

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- From 2009-10 Budget outputs have been removed and program reporting introduced
- Each program requires
 - Objective
 - Expenses
 - Deliverables
 - Key performance indicators (financial and non-financial)
- A program is an enduring area of government activity that is of particular interest to the Parliament or the public
- Approximately 520 budget designated programs



Extract from Department of Health and Ageing 2009-10 Portfolio Budget Statements

Outcome 1

Population Health

A reduction in the incidence of preventable mortality and morbidity in Australia, including through regulation and national initiatives that support healthy lifestyles and disease prevention.

Outcome 1 Milestones

Milestone 1.1: Working to decrease smoking prevalence in the Australian population to reduce the morbidity and mortality resulting from tobacco use.

Milestone 1.1 demonstrates the estimated impact of the reinvigoration of the National Tobacco Strategy and tackling chronic disease risk factors under the COAG Indigenous Health National Partnership Agreement, the Indigenous Tobacco Control Initiative, the National Partnership Agreement on Preventive Health and the National Healthcare Agreement on smoking prevalence.

Using 2007-08 as a benchmark, the daily smoking prevalence rate for the Australian population aged 14 or over was 16.6 per cent. A 0.59 percentage point reduction per annum is required to achieve the targets set out in the National Partnership Agreement on Preventative Health. This will result in a reduction in the incidence of preventable mortality and morbidity in Australia. State and Territory Governments will be undertaking activities to complement the Australian Government's initiatives.

Figure 1: Estimated Improvements in the Australian Population's Smoking Rates

Source: AIHW National Drug Strategy Household Survey 2007 – data only available every three years.

	Budget Year	3-year Milestone	6-year Milestone
	<i>2007-08</i>	<i>2010-11</i>	<i>2013-14</i>
Daily smoking prevalence rates for the Australian population aged 14 or over.	16.6%	14.6%	13.1%



Extract from Department of Health and Ageing 2009-10 Portfolio Budget Statements

Improving Immunisation

•The National Immunisation program will seek to deliver an increase in immunisation coverage rates among children at 60-63 months of age so that they are comparable with rates for children 24-27 months of age. Currently children at 24-27 months of age have the highest level of immunisation coverage in Australia with 92.7 per cent of children fully immunised in accordance with the National Immunisation program.^[1]

Program 1.5: Key Performance Indicators

The following 'key performance indicators' measure the impact of the Program.

Table 1.22: Quantitative Key Performance Indicator for Program 1.5

Quantitative Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
	<i>Revised Budget</i>	<i>Budget Target</i>	<i>Forward Year 1</i>	<i>Forward Year 2</i>	<i>Forward Year 3</i>
Improving Immunisation					
Increase in immunisation coverage rates among children 60-63 months of age.*	88.3%	89.0%	90.0%	91.0%	92.0%



Net Cash Appropriation Framework

- Since the 1999 – 2000 Budget, agencies received funding for cash and non-cash items in the year the expense was incurred
- Required agencies to manage their funding and cash flows for non-current requirements, over extended periods
- Can lead to problems with the way agencies manage and report on appropriations
- Perceptions that accrual appropriations have led to a loss of transparency



Actual Capital Expenditure vs Budgeted Capital Expenditure (accuracy of estimates)

	2006-07 \$ m	2007-08 \$m	2008-09 \$m
Actual Capital Expenditure	2,041	2,067	1,945
Budgeted Capital Expenditure	2,351	2,296	2,238
Difference	(310)	(229)	(294)

- Agencies have shown a trend to underspend their capital budgets
- Underspent amount would have rolled over to the next financial year
- Historical trend shows that agencies are unable to spend their core budget plus any rolled over amount



Analysis of Cash Reserves

	2009-10	% of total expenses
	\$m	
Total Cash and Cash Equivalents holdings as at 30 June	7,538	2.23%
Reconciliation of cash holdings as at 30 June		
Unspent equity injections and asset related funding	1,545	0.46%
Unspent depreciation funding	2,362	0.70%
Employee Entitlement funding	1,220	0.36%
Creditor liabilities at 30 June (Current)	1,706	0.50%
Other cash reserves	705	0.21%
Total	7,538	2.23%



New Appropriation Framework

Overview

- Agencies funded on the basis of their cash needs
- From a budgeting perspective, the net cash requirements of an agency will be determined as follows:

$$\begin{array}{|c|} \hline \text{Annual} \\ \text{Appropriations} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total} \\ \text{Expenses} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Depreciation, Amortisation} \\ \text{and Make Good funding} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Cost of New or} \\ \text{Replacement Minor Assets} \\ \hline \end{array}$$



Implementation

- Return of agency funding relating to unused depreciation
- Establishment of Departmental Capital Budgets (DCBs) for minor capital and heritage and cultural assets
- Revisions to rules surrounding operating losses



Budget Reporting Changes

- Cash and Receivables Reconciliation template (CARR)
- Comprehensive Income Statement table
- Capital Budget Statement
- Statement of Asset Movements



Implementation

- Establishing capital management plans
- Resolving how to treat funding for non-General Government Sector entities
- Formulation of DCBs in future years
- Carryover of unspent amounts
- Currently in the process of implementation
 - many challenges still lie ahead



Questions?