

Overview

The 2008-09 Budget is an accrual output-based budget prepared in accordance with the Territory's fiscal management legislation and framework.

Budget Paper No. 3 provides detailed information on the budgets of agencies and government business divisions in the Northern Territory budget sector, and focuses on the services and outputs delivered across Government. The information provided in *Budget Paper No. 3* encompasses:

- agency expenses and appropriation amounts;
- agency profiles and budget highlights;
- description of variation between years;
- output statements for agencies and business line statements for government business divisions, including performance measures and estimates;
- accrual financial statements (Operating Statement, Balance Sheet and Cash Flow Statement);
- community service obligation payments to government business divisions and government owned corporations; and
- a summary of revenue received by the Central Holding Authority, agencies and government business divisions.

The legislative basis for the 2008-09 Budget and the Territory's financial management framework is explained below.

Legislative Basis

Two principal Acts combine to form the framework for the management of the Territory's financial resources and ensure that the range of accountability requirements are satisfied:

- *Fiscal Integrity and Transparency Act* – whole of government reporting requirements; and
- *Financial Management Act* – agency and government business division accountability requirements.

These Acts are supplemented by the annual *Appropriation Act*, which provides legal authority for the Government's funding decisions.

Fiscal Integrity and Transparency Act

The *Fiscal Integrity and Transparency Act* requires the reporting of the budget and forward estimates on the basis of external reporting standards. The reporting standard used in the Northern Territory is the Uniform Presentation Framework as agreed by states, territories and the Commonwealth. This is based on AASB 1049 Whole of Government and General Government Sector Financial Reporting. The 2008-09 Budget is presented in accordance with the *Fiscal Integrity and Transparency Act*.

Financial Management Act

The main focus of the *Financial Management Act* is to provide a financial framework within which agencies manage their resources. *Budget Paper No. 3*

covers agencies that are subject to the *Financial Management Act* and included in the Territory's budget sector.

The *Financial Management Act* provides the rules that govern the monitoring and management of the budgets for each agency and government business division during the year. In this regard, the *Financial Management Act* specifies accountability and approval requirements for budget variations in situations where unforeseen circumstances arise during the year, or where Government functions are redistributed between agencies.

The *Financial Management Act* also specifies agency and government business division internal control requirements, asset safeguarding, financial transaction and bank account rules, and financial reporting obligations.

The Power and Water Corporation is not included in *Budget Paper No. 3*. It is a government owned corporation and is subject to the financial provisions of the *Government Owned Corporations Act*, not the *Financial Management Act*.

For reference, a list of Northern Territory Government Ministers and their respective Ministerial portfolios, as they apply from 1 July 2008, is provided at the end of this overview.

Financial Management Framework

The Territory's financial management framework is based on outputs and the accrual methodology for budgeting, accounting and reporting, with performance management as a central tenet. The use of an accrual output-based framework ensures the Territory's financial management systems are contemporary and consistent with the frameworks of other jurisdictions across Australia.

Agencies – Outputs and Performance Measures

Although the framework provides a uniform approach, concepts continue to evolve and be implemented by agencies. For the 2008-09 Budget, a number of agencies have reviewed both output structures and performance measures and made modifications to reflect the redistributions of Government functions that occurred during 2007-08, and changed or improved reporting arrangements. For example, the implementation of middle years schooling has required changes in a number of the Department of Employment, Education and Training outputs.

Changes to administrative arrangements, operating from 2008-09, have been announced to provide improved coordination and focus on services to Territory families, children and youth services, and to strengthen pre-educational services available in the Territory.

From 1 July 2008, NT Families and Children will be established within the renamed Department of Health and Families. NT Families and Children will receive transfers of functions from the Department of the Chief Minister, Northern Territory Police, Fire and Emergency Services and the Department of Justice. There has also been a transfer of early childhood services from the former Department of Health and Community Services to the Department of Employment, Education and Training. For all these agencies, the 2007-08 estimate has been backcast to reflect the transfers to enable comparisons with

the 2008-09 Budget. However, these functions will remain within their current agencies until 1 July 2008 and will be reported in the current structure in the 2007-08 agency annual reports.

For each output, performance measures are recorded in the categories of:

- quantity – relates to the number or amount of services provided and is generally a volume measurement, except for policy and advisory services where the overall capacity to provide the service is more meaningful;
- quality – relates to the calibre of an output and generally reflects service standards based on client need; and
- timeliness – relates to the time taken to produce the output and provides an indication of the service or processing speed and efficiency.

Performance estimates are specified for each measure in *Budget Paper No. 3*. During the year, actual performance is measured and assessed against the specified estimates by both the Government and agencies. Agency annual reports will record actual performance against estimates published in *Budget Paper No. 3* and will provide explanations of significant variations.

Government Businesses – Business Lines and Performance

Although government business divisions (GBDs) are expected to operate on a commercial basis, they remain subject to the financial management framework contained in the *Financial Management Act*, with the chief executive officer of a GBD accountable to the responsible Minister for financial performance.

Commercial practices that have been implemented for GBDs are:

- the requirement to fully attribute costs and to be subject to similar government taxes (including tax equivalents), fees and charges as privately owned businesses;
- adoption of efficient pricing methods which account for costs;
- identification and budget funding of community service obligation payments to compensate GBDs for undertaking non-commercial activities at the direction of Government; and
- performance monitoring.

GBDs are required, where appropriate, to disaggregate income and expense information by business line. An operating surplus/deficit before income tax is also provided by business line.

A statement concerning the GBDs' expected performance in the Budget year, relative to the current year, is provided, along with performance measures for each business line. As with agencies, GBDs will report on actual outcomes against their business lines and performance measures in their annual reports.

Government owned business activities are required to comply with competitive neutrality principles to ensure that privately owned businesses can compete effectively and to minimise any commercial advantages accruing as a result of Government ownership.

The Territory Government has established a formal mechanism to allow private sector businesses to make competitive neutrality complaints against

GBDs. Northern Territory Treasury is responsible for managing competitive neutrality complaints. If a complaint is upheld, appropriate action to ensure compliance with competitive neutrality principles is determined on a case-by-case basis.

Accruals

Under an accrual framework, income (revenue and gains) and expenses are recorded in the period in which they occur, even though no cash may have been received or paid. Accrual accounting includes transactions where no cash is exchanged, such as transactions involving the creation of obligations to pay or rights to receive cash in the future. Accrual accounting also records transactions relating to the cost of using assets in the production of outputs, which is known as depreciation expense and is a non-cash cost.

Appropriation Arrangements

Appropriation is provided to fund agencies. Two types of appropriation for agencies are recognised – output appropriation and capital appropriation. These appropriation types are designated in the *Appropriation Act* as ‘Purposes’ as they reflect a purpose for providing funds.

2007-08 Estimate

The estimates information presented in this Budget Paper for the 2007-08 year reflects the approved revised 2007-08 Budget. This is determined from the original 2007-08 Budget, as tabled in May 2007, adjusted for the Government's new policy decisions and responses to demand changes that have occurred during the year. The budget variations are approved in accordance with the requirements of the *Financial Management Act*, with formal variation instruments then tabled in the Territory Parliament.

2008-09 Budget

The 2008-09 Budget has been developed from the forward estimates model, with inflator and deflator factors applied and additional funding incorporated for initiatives approved in the budget development process.

Specifically in relation to the 2008-09 Budget, the parameters applied are:

- CPI – 3.4 per cent, being Darwin CPI growth in the year to December 2007;
- wages – 4 per cent; and
- productivity dividend – 3 per cent for most agencies, with exceptions for agencies with high fixed staff costs, which have a dividend of 0.75 per cent applied. These agencies include the Department of Health and Families, the Department of Employment, Education and Training, Northern Territory Police, Fire and Emergency Services and the Correctional Services component of the Department of Justice. A 2 per cent dividend has been applied to small agencies with less than 30 staff.

Agency Budget Presentation

Agencies and government business divisions are presented in the order set out in the Administrative Arrangements Order to apply from 1 July 2008, with the following information provided for each.

Expenses and Appropriation Summary

This summary table depicts expenses for each output group (or business line for government business divisions) that equates to total expenses as recorded in the Operating Statement. Output appropriation and capital appropriation, as specified in the *2008-09 Appropriation Act*, are also identified as well as the anticipated staffing number for 2008-09, based on an estimate of average full-time equivalent staff.

Agency Profile

A narrative description of the agency's key functional responsibilities and major emerging or strategic management issues for 2008-09 is provided.

Budget Highlights

The Budget Highlights sub-section provides a snapshot of the significant policy initiatives, main features of the agency's budget and important capital projects funded in the Budget. The focus is on identifying important resource issues relating to the agency's key functional responsibilities and strategic issues, as well as recording additional funding for initiatives in 2008-09.

Outputs, Business Lines and Performance

For agencies, this sub-section begins with a table showing output costs that reconcile to the output group and total expense figures in the summary table. An explanation of the key variations in output costs between 2007-08 and 2008-09 follows the table, broadly in output order.

For government business divisions, this sub-section describes financial performance linked to the summary table and focuses on key variations between the years.

Detailed information on each output is then provided in the form of output statements (business line statements for government business divisions). These statements describe all output groups, related outcomes and outputs within the output group. Performance measures are listed for every output, with estimates identified for each measure. For comparative purposes, where available, performance estimates for the 2007-08 year are provided.

To enable meaningful comparisons where measures have changed, agencies and business divisions have recast performance measures and estimates to be on a basis consistent with information presented for 2008-09. Where measures have been modified and 2007-08 data is not available, no estimate is reported.

Financial Statements

A set of financial statements – Operating Statement, Balance Sheet and Cash Flow Statement – is presented on an accrual basis for each agency and government business division for both 2007-08 and 2008-09.

Operating Statement – presents an agency's expenses, revenues, gains and net result. It excludes expenditure and receipts of a capital nature, as these only impact the Balance Sheet and Cash Flow Statement. With appropriation covering only cash costs, most agencies will show a deficit due to their depreciation and amortisation expenses being unfunded. Agencies may also show a surplus or deficit in relation to the transfer of expenditure between

years due to the treatment of these timing differences in the Accounting Standards. Therefore, where a receipt is received in one year but not spent until the following financial year, a surplus will be shown in the first year and a deficit in the second. This surplus or deficit is either offset or increased by the depreciation expense.

Balance Sheet – presents an agency’s expected assets and liabilities and records the net assets, or equity, of the agency at the end of the year. Deficits (as recorded in the Operating Statement) will reduce the equity position over time, while surplus results will increase equity.

Cash Flow Statement – presents the movement of cash into and out of an agency during the financial year. The statement also reconciles to the agency’s cash account at the end of the year, which is reported in the Balance Sheet.

Specific Purpose Revenue from the Commonwealth

Estimates for specific purpose revenue from the Commonwealth reflect best estimates as at April 2008. With the Commonwealth Budget to be tabled after the Territory Budget, new or changed specific purpose payments subsequently announced are not incorporated. Details of specific Commonwealth revenue provided to the Territory are recorded in the Revenue section of this Budget Paper with a more comprehensive discussion on the main Commonwealth revenue sources provided in *Budget Paper No. 2*.

Ministerial Portfolios

The Hon. P. R. Henderson, MLA

Chief Minister

Minister for Police, Fire and Emergency Services

Minister for Major Projects and Trade

Minister for Climate Change

Minister for Territory-Federal Relations and Statehood

Minister for Information, Communications and Technology Policy

Minister for Multicultural Affairs

Ms M. R. Scrymgour, MLA

Minister for Employment, Education and Training

Minister for Families

Minister for Child Protection

Minister for Indigenous Policy

Minister for Arts and Museums

Minister for Women's Policy

The Hon. D. P. Lawrie, MLA

Treasurer

Minister for Planning and Lands

Minister for Infrastructure and Transport

Minister for Public Employment

Dr C. B. Burns, MLA

Minister for Health

Minister for Justice and Attorney-General

Minister for Racing, Gaming and Licensing

Minister for Alcohol Policy

The Hon. K. Vatskalis, MLA

Minister for Business and Economic Development

Minister for Tourism

Minister for Housing

Minister for Asian Relations

Minister for Regional Development

Minister for Defence Support

Minister for Essential Services

Mr C. W. Natt, MLA

Minister for Primary Industry and Fisheries

Minister for Mines and Energy

The Hon. L. F. Kiely, MLA

Minister for Natural Resources, Environment and Heritage

Minister for Parks and Wildlife

The Hon. M. T. Bonson, MLA

Minister for Sport and Recreation

Minister for Corporate and Information Services

Minister for Senior Territorians

Minister for Young Territorians

Minister Assisting the Chief Minister on Multicultural Affairs

The Hon. D. R. Knight, MLA

Minister for Local Government

Minister for Central Australia