

INTRODUCTION

Budget Paper No. 3 provides information on the performance of general government agencies. An overview at the start of each Minister's portfolio sets out the total expenses and capital expenditure for agencies within the portfolio. Details of agency performance and 2007-08 Budget are outlined in the individual agency commentary and financial statements.

COMMENTARY

The commentary section provides an overview of the agency's results and services, recent developments, strategic directions and 2007-08 Budget.

The *Results and Services* section provides a summary of the outcomes the agency is working towards and the key services the agency delivers to contribute to those outcomes.

The *Recent Developments* section explains significant changes in agency functions, responsibilities and operating environment. This section provides information on key results the agency is trying to influence or developments experienced by the agency in the lead up to the Budget.

The *Strategic Directions* section explains objectives or areas of focus for the agency in the Budget year. This section may include information about an agency's planned response to emerging priorities or changes to service delivery mechanisms.

The *2007-08 Budget* section summarises the agency's expenses and capital expenditure for the Budget year. This section provides information on important areas of expenditure or major initiatives that will support the agency in its delivery of services as well as the expected contribution these services will make to results for the community.

RESULTS AND SERVICES

In 2007-08 most general government agencies will prepare a Results and Services Plan.

The Results and Services Plan is a service delivery and funding plan prepared by agencies to support decision making by the Budget Committee of Cabinet. It sets out the linkages between results, services and service costs.

In November 2006 the Government released *The State Plan: A New Direction for NSW*. The State Plan sets clear priorities and targets for Government action and establishes new accountability structures to deliver on these priorities, including a new performance management and budgeting system to be implemented for the 2008-09 Budget. The new system will build on the Results and Services Plan approach.

A key element of the new system will be a simplified framework for reporting agency financial and non-financial performance based on the Results and Services Plan.

In this year's Budget Paper No. 3 the commentary section for each relevant general government agency continues to report information describing the results the agency is working towards and the key services the agency delivers to contribute to those results.

More information on development and implementation of the new performance management and budgeting system is available in Chapter 2 of Budget Paper No. 2.

FINANCIAL STATEMENTS

Financial statements on an accrual basis are presented for each agency. These include the Operating Statement, Cash Flow Statement and Balance Sheet.

The Operating Statement details the major categories of expenses and revenues of agencies. A key aggregate is the Net Cost of Services, which is the difference between expenses, retained revenue and gains/losses arising from revaluations or disposal of assets.

For those agencies which receive a direct appropriation from Parliament, the Net Cost of Services is funded by revenue (mainly taxation) raised from the community as a whole.

For those agencies which do not receive direct appropriations, the difference between revenues and expenses is the surplus (deficit) available to further the objectives of the agency or be distributed to the Consolidated Fund to support core government services to the community. A deficit would need to be funded from the agency's cash holdings or through borrowings.

The Government incurs expenditure as a result of providing services to the community. Under accrual accounting the operating statement of an agency records expenses when they occur. This varies from cash accounting which records expenditure when the payment is made.

The major categories of expenses shown on this statement include employee related costs, operating costs, depreciation and amortisation of assets, grants and subsidies provided to other entities, and other expenses.

Similarly, revenues are shown when the agency is entitled to receive the funds although the cash may be received in a different period. Revenues are dissected into sales of goods and services, investment income, grants and contributions, and other revenue.

The Cash Flow Statement details the cash impacts of agency activities including the cash appropriations sourced from taxation. The movement in cash disclosed in the statement equates to the difference between the opening and closing cash amounts in the Balance Sheet. In addition, the net cash flow from operating activities shown on the cash flow statement is reconciled to the Net Cost of Services (or surplus/deficit) in the operating statement.

The Balance Sheet details the assets and liabilities of the agency with the difference being the net investment by the community in the form of equity in that agency. Assets and liabilities are dissected into current (convertible into cash or paid/received within the next 12 months), or non current (paid/received after 12 months).

PUBLICATION OF PROGRAM STATEMENTS

Where agencies receive direct Budget support, their activities are grouped into programs. These are groupings of agency activities which have common goals, and provide further detail on how an agency's budget is to be spent and what it is expected to achieve.

Following the March 2007 election, Ministerial portfolios and some of the agencies within those portfolios were restructured. These changes were gazetted in April 2007.

As a result of these administrative changes, program statements for Budget Dependent agencies are not included in these budget papers, but will instead be published early in the new financial year.