

TREASURER'S DIRECTIONS
FRAMEWORK – *WORKING FOR OUTCOMES*
Section F2.1 : Overview

STATEMENT OF INTENT

Working for Outcomes is the financial and performance management framework under which Agencies operate. This Section explains the key elements and relationships underpinning Working for Outcomes.

MAIN FEATURES

Section 38 of the *Financial Management Act* requires every Accountable Officer and every employee of an Agency to comply with the Treasurer's Directions.

Working for Outcomes

- *Working for Outcomes* is the Northern Territory Government's financial and performance management framework.

Key Elements

- Outputs are the services provided or the goods produced by an Agency for users external to the Agency.
- Agency performance in the delivery of outputs is to be measured in relation to the quantity, quality, timeliness and cost of outputs.
- Agencies are to budget, account and report on an accrual basis.

Relationships

- Government is the purchaser of outputs and the owner of Agencies.
- Agencies are providers of outputs and managers of resources invested by Government.

For authoritative instruction and guidance, reference should be made to related Treasurer's Directions and associated commentary, relevant Australian accounting standards and other authoritative interpretations.

CONTENTS

What is <i>Working for Outcomes</i> ?	F2.1.1
Outputs	F2.1.2
Performance	F2.1.3
Accruals	F2.1.4
Relationships	F2.1.5

AUTHORITIES

Financial Management Act

REFERENCES

Related Treasurer's Directions:

- F2.2 Framework – *Working for Outcomes* : Central Holding Authority
- A1.1 Accounting – Introduction : Accrual Accounting

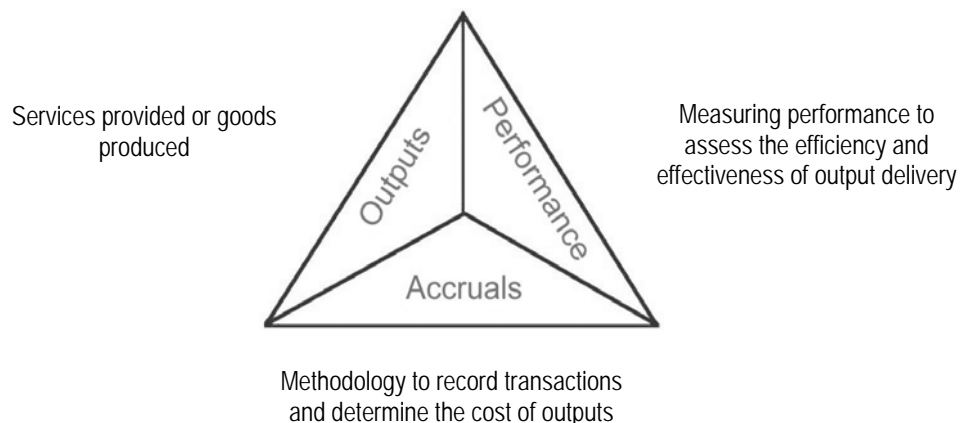
WHAT IS *WORKING FOR OUTCOMES*?

F2.1.1

Working for Outcomes is the Northern Territory Government's financial and performance management framework.

- (i) *Working for Outcomes* is the financial and performance management framework under which Agencies operate. The Framework comprises three core elements:
- Outputs – provision of services or production of goods for the community;
 - Performance – measurement of Agency performance in relation to the quantity, quality, timeliness and cost of outputs; and
 - Accruals – budgeting, accounting and reporting on an accrual basis.
- (ii) The *Working for Outcomes* framework is promulgated through comprehensive and interlinked policies articulated in legislation through two principal sources: the *Financial Management Act* and the Treasurer's Directions.
- (iii) The principal objective of *Working for Outcomes* is to provide a better basis for allocation of the Territory's resources through:
- a focus on outputs and performance;
 - clearly defining links between outcomes and outputs; and
 - provision of full cost information for outputs.
- (iv) Figure 1 depicts the three core elements of *Working for Outcomes*: Outputs, Performance and Accruals.

Figure 1 - *Working for Outcomes* Core Elements



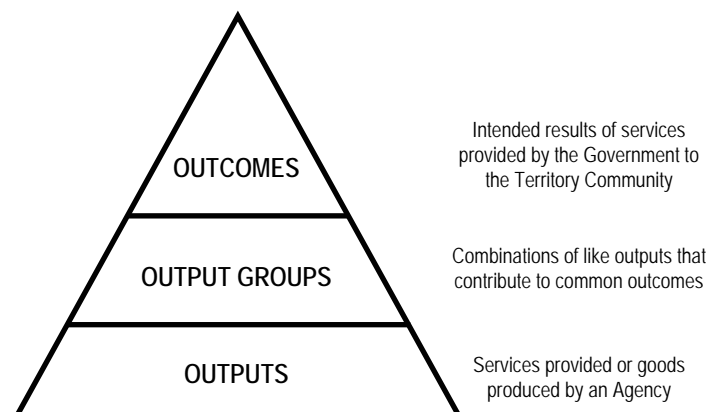
OUTPUTS

F2.1.2

Outputs are the services provided or the goods produced by an Agency for users external to the Agency.

- (i) Outputs is the term used to describe the services and/or goods produced by Agencies for the benefit of the community. Under *Working for Outcomes*, resource allocation decisions are concentrated on outputs, with Agencies funded to produce specified outputs. This focus on outputs assists Agencies and Government in ensuring that resources are directed toward achieving the results intended by Government.
- (ii) *Working for Outcomes* establishes an output hierarchy, as depicted in Figure 2. For reporting purposes, related outputs are aggregated into output groups, which are combinations of like outputs. Output groups provide summary information and represent a useful means of demonstrating the relationships between individual outputs. Output groups enable a strategic view of the services provided that highlights the relationships between outputs.
- (iii) Outputs and output groups are linked to outcomes with each output group linking to at least one outcome. Outcomes represent the objectives that the Government is seeking to achieve on behalf of the community through the delivery of outputs. Thus outcomes reflect the Government's policy direction and describe the reason why particular outputs are delivered.
- (iv) Government's consideration of outputs and outcomes is at the strategic level and requires aggregated outputs. From a whole of Government perspective, the total number of outputs needs to be a manageable quantity to facilitate analysis, comparison and decision making. This will vary for Agencies, where monitoring and managing outputs at a specific level requires outputs be broken down into sub-output components. Operational management is usually focused at this sub-output level.

Figure 2 : Outputs Hierarchy



PERFORMANCE

F2.1.3

Agency performance in the delivery of outputs is to be measured in relation to the quantity, quality, timeliness and cost of outputs.

- (i) The performance of Agencies in the delivery of outputs is the focus of the second core element of *Working for Outcomes*. Performance measures assist decision makers, both within and outside the Agency, in determining whether Territory resources are being applied in an efficient and effective manner to achieve Government outcomes. Performance measures are grouped into four categories: quantity, quality, timeliness and cost.
- (ii) Quantity measures relate to the number of units of output and are usually described in terms of 'how many'. Quantity is a volume measurement and, as such, shows the number or amount of services or goods provided.
- (iii) Quality measures relate to the calibre or excellence of an output and generally reflect service standards based on customer need. Dimensions of quality as an output performance measure include accuracy, completeness, accessibility, continuity and customer acceptability.
- (iv) Timeliness measures relate to the time taken to produce an output and provide an indication of the processing or service speed and efficiency. Measures of timeliness provide parameters for 'how often' or 'within what time frame' outputs are to be produced.
- (v) Costs are recorded on an accrual basis, with greater attention given to combining the cost information with other performance measures, particularly the output quantity measure. Ideally, the outputs are uniform and the cost per unit of output provides an obvious benchmark for measuring performance both over time and between like service providers. However, such uniformity is not always possible.
- (vi) Performance targets are published in the Budget and actual performance measured and assessed against these targets.

ACCRUALS

F2.1.4

Agencies are to budget, account and report on an accrual basis.

- (i) The accrual basis of budgeting, accounting and reporting is the third core element of *Working for Outcomes*. The accrual basis facilitates the focus on Agency outputs by providing financial information on the full cost of outputs.

- (ii) The accrual basis provides information on all resource flows that arise from an Agency's operations. Under the accrual basis, income and expenses are recorded in the period they are incurred, even though no cash may have been received or paid. In contrast, the cash basis of accounting only records a transaction when cash is received or paid. In addition, the accrual basis takes into account transactions where no cash is exchanged, such as transactions involving the creation of obligations to pay (payables) or rights to receive cash at future dates (receivables), and transactions relating to the cost of using assets in the production of outputs (depreciation). Treasurer's Directions Section A1.1 provides further instruction and guidance in relation to accrual accounting.
- (iii) Under *Working for Outcomes*, Agency output budgets are prepared on an accrual basis using estimated financial data while Agency financial information in annual reports is prepared using actual financial data on an accrual basis. Accrual financial information is reported using four main financial statements:
- an Operating Statement that details the income earned and expenses incurred for the reporting period;
 - a Balance Sheet that details assets, liabilities and equity at the end of the reporting period;
 - a Cash Flow Statement that details all cash inflows and cash outflows for the reporting period; and
 - a Statement of Changes in Equity that details movements in equity during the reporting period.

RELATIONSHIPS

F2.1.5

Government is the purchaser of outputs and the owner of Agencies.

F2.1.6

Agencies are providers of outputs and managers of resources invested by Government.

- (i) The *Working for Outcomes* framework recognises two fundamental relationships between Government and Agencies: Purchaser/Provider and Owner/Manager, as depicted in Figure 3. These two relationships between Government and Agencies are integral to the control of Government operations and the provision of funding for these operations through the Central Holding Authority.

Figure 3 : Relationships

Government	Purchaser	Owner
Agencies	Provider	Manager

- (ii) The Government's role in each of the two relationships is represented by the Central Holding Authority. The Central Holding Authority records the Government's purchases of outputs from Agencies (as Purchaser) and the Government's dealings with its investment in Agencies (as Owner). Treasurer's Directions Section F2.2 provides further instruction and guidance in relation to the Central Holding Authority.
- (iii) Agencies produce outputs to provide to the community as part of the Provider role. The Government purchases these outputs from Agencies on behalf of the community and thus fulfils the Purchaser role. The Government funds these output purchasing decisions through provision of budget funding.
- (iv) As Purchaser, the Government is interested in ensuring that it achieves 'value for money' for the community. The Government specifies its requirements for Agency outputs by determining and agreeing with each Agency, the output quantity, quality, timeliness and cost. Thus, the Government advises:
- the required number of outputs;
 - the service or quality standard;
 - when outputs are to be delivered; and
 - the amount that the Government will pay to purchase the outputs, according to the above specifications.
- In this way, output performance measures are integrated into the *Working for Outcomes* framework, with performance targets essentially comprising the Government's specifications for outputs.
- (v) Agencies, as Providers, manage and contain their costs to provide outputs within the Government's purchase price. As the Provider of outputs, each Agency:
- negotiates output specifications that it can achieve;
 - ensures it delivers the required number of output units at the agreed quality and timeliness standards and at the agreed cost; and
 - consults with the Government (as Owner) if costs cannot be contained or any additional resources are required.
- (vi) Government Business Divisions and Government Owned Corporations are not part of the Purchaser/Provider relationship because Government does not directly purchase their outputs. Government Business Divisions and Government Owned Corporations sell their services to the community and to Agencies on a fee-for-service basis, similar to a commercial enterprise.

- (vii) As the Owner of Agencies, Government invests resources in Agencies to enable them to produce outputs and is interested in whether Territory resources are being applied in an efficient and effective manner. The Government:
- is interested in maintaining an appropriate level of investment in Agencies;
 - considers the nature and mix of assets and liabilities in each Agency to ensure that services are capable of being delivered;
 - promotes optimal performance through the *Working for Outcomes* financial and performance management framework; and
 - approves capital works projects.
- (viii) As Managers of the resources invested by Government, each Agency:
- focuses on enhancing Government's investment through operational performance;
 - keeps the Government informed of its financial position;
 - advises the Government of any significant impacts on its financial position;
 - seeks approval from the Government before taking any significant action that will affect its financial position, such as acquiring significant assets or incurring significant liabilities; and
 - complies with the Government's *Working for Outcomes* framework.
- (ix) The Owner/Manager roles extend to Government Business Divisions and Government Owned Corporations because the Government owns these entities and maintains a level of investment in them.