### What is the difference between a transfer between years and a carryover?

**Transfer between years**

A transfer between years is the transfer of revenue or expenditure to or from future years when an agency is aware of changes in the timing of revenue or expenditure. Typically, both revenue and expenditure is transferred to forward years for Northern Territory-funded programs and funding that satisfies the recognition principles under AASB 15 Revenue from contracts with customers.

Where an accountable officer is aware of changes in the timing of revenue or expenditure, the accountable officer is encouraged to notify the Department of Treasury and Finance as soon as practicable and seek a transfer of funding during the whole of government budget development process.

A transfer between years does not affect the agency’s net surplus/deficit and whole of government fiscal balance as transfers of expenditure are matched with corresponding transfers of revenue.

**Carryover**

A carryover is the transfer of expenditure to future years where changes in the timing of expenditure is known at the end of the financial year. Unlike a transfer between years, carryovers do not affect revenues but are funded from the use of agency cash balances.

A carryover typically improves the agency’s net surplus/deficit and whole of government fiscal balance in the year the funds are unspent and will worsen the agency’s net surplus/deficit and whole of government fiscal balance in the year funds are utilised. Accordingly, the effect on the fiscal balance should be nil over the actual and budget reporting periods.

### What is the difference between a carryover, reward carryover and unearned revenue?

Carryovers, reward carryovers and unearned revenue balance all use existing cash balances to fund future expenditure.

**Carryovers**

Carryovers are a transfer of expenditure to future years where changes in the timing of expenditure are known after the end of the financial year, to be used for the same or original purpose. The budget expenditure capacity provided for a carryover is funded through available cash balances. This is because the agency has received funding (cash) in advance and has recognised revenue in the year but has not delivered on its obligations relating to the funds received.

Prior to submitting a carryover request, an agency must establish it has sufficient cash balances relative to the carryover request. Unearned revenue balances are excluded from available cash balances before carryover requests are assessed against remaining cash balances. A carryover typically improves the agency’s net surplus/deficit and whole of government fiscal balance in the year the funds are unspent and will worsen the agency’s net surplus/deficit and whole of government fiscal balance in the year funds are utilised. Across financial years, carryovers have no net effect on any fiscal aggregate or indicator.

**Reward carryover**

Reward carryover is a portion of an agency’s residual improvement (that is an agency’s final budget outcome after carryovers, in excess of $500 000 or 1 per cent of the operating expense cap, whichever is greater) that is carried over for use for a different or similar purpose in future years. There are typically no outstanding obligations to these funds. Reward carryovers are funded from use of available cash balances.

A reward carryover can only be considered after the agency’s unearned revenue balances and carryovers requested have been met from cash balances.

A reward carryover will worsen the agency’s net surplus/deficit and whole of government fiscal balance in the year funds are utilised because no corresponding revenue is recognised for this expenditure given projects are delivered from true savings achieved by an agency in the delivery of its outputs.

**Unearned revenue**

Unearned revenue balances represent an agency’s outstanding obligation to transfer goods or services to a customer for which the agency has received cash or an amount of cash from the customer. Unearned revenue is recorded in an agency’s balance sheet as a liability. Unearned revenue balances are not carryovers. Agencies are asked to provide details on unearned revenue balances as part of the carryover process because unearned revenue balances are excluded from cash balances when assessing if an agency has sufficient cash balances relative to their carryover request.

Unwinding unearned revenue balances have a nil impact on the agency’s net surplus /deficit and whole of government fiscal balance in the year funds are utilised because there is a corresponding revenue for expenditure recognised.

### 3. Do unearned revenue balances form part of a carryover request?

No. Unearned revenue balances do not form part of a carryover request. Agencies may be asked to include their budgeted and actual end of financial year unearned revenue balances in the carryover request template. However, these amounts do not form part of the carryover request.

Unearned revenue balances are required to be unwound in accordance with Australian accounting standards, and any unearned revenue balances are considered against available cash balances before a carryover or a reward carryover is considered to ensure sufficient cash balances are available.

### 4. Can I request to carryover an approved Treasurer’s Advance and use it for another purpose?

No, unless written approval has been obtained from the Treasurer to use the Treasurer’s Advance for another purpose in accordance with Treasurer’s Direction – Treasurer’s Advance. With the exception of reward carryovers, a request to carryover funds will only be considered if the funds will be used for the original purpose for which they were approved.

### 5. What is the format set for carryover requests?

The Department of Treasury and Finance will provide a pro forma template, which is generally an attachment to the annual Treasury Circular issued to accountable officers on the carryover process. An accountable officer must use the template provided in the circular when submitting a carryover request.

### 6. At a minimum, what information is needed to support a carryover request?

The carryover request must include supporting information that outlines, by program:

* the program, including the request type under paragraph 9 of TD - Carryovers
* the reasons for seeking a carryover
* the carryover amounts and the financial years in which the carryover amounts will be utilised
* the amounts accounted as unearned revenue in the agency’s balance sheet
* any other information relevant to the carryover.

### 7. What is the due date for carryover requests?

The Department of Treasury and Finance will notify accountable officers of the due date for carryover requests to be completed and returned. This due date is generally specified in the annual Treasury Circular issued to accountable officers on the carryover process.

Where an accountable officer is unable to meet the due date, the Department of Treasury and Finance should be advised as soon as possible.

## 8. Are cash balances considered in the carryover assessment process?

An agency must ensure there are sufficient cash balances to cover their requested carryover. When determining if there are sufficient cash balances, an agency should exclude any quarantined funds.

Where insufficient cash balances exist, consideration may be given to any expenses that were identified as eligible for a Treasurer’s Advance in accordance with Treasurer’s Direction – Treasurer’s Advance but were absorbed from within existing resources.

The Department of Treasury and Finance may also review an agency’s cash improvement compared to final approved budget to determine if it aligns with the demonstrated operating result improvement. An agency may be asked to explain reasons for variations between cash improvements compared to final budget outcome.

### 9. What are quarantined cash and deposits?

Quarantined funds are cash balances that have restrictions imposed on their use. Examples of quarantined funds include balances in cash at bank advances and external accounts, accountable officer trust accounts, clearing accounts, cash floats and funds that are quarantined under legislation.

### 10. Does a portfolio minister need to seek approval from the Treasurer for a carryover request?

No. The Department of Treasury and Finance will seek approval from the Treasurer for carryover requests on behalf of all agencies as part of the annual carryover process.

An accountable officer must, however, seek endorsement from their portfolio minister prior to submitting a carryover request to the Department of Treasury and Finance. A copy of the portfolio minister’s endorsement must be provided to the Department of Treasury and Finance when the carryover request is submitted.

### 11. What is final budget outcome and how is it calculated?

An agency’s final budget outcome is the end of financial year actual operating result compared to budgeted operating result, after:

1. excluding variations for:
2. gain or loss on disposal of assets in the operating statement
3. interest expense, depreciation and amortisation expense and other administrative expenses in the operating statement
4. waivers as specified in the Treasurer’s Direction – Standard Classification Codes: Appendix A
5. any further variations for non-cash items and other economic flows as specified in Treasurer’s Direction – Standard Classification Codes: Appendix A, not already captured in (i to iii) above
6. expenses eligible for a Treasurer’s Advance in accordance with Treasurer’s Direction – Treasurer’s Advance that have been absorbed from within existing resources.
7. including variations for:
8. purchases of assets in the cash flow statement
9. advances and investing payments in the cash flow statement, where deemed applicable by Department of Treasury and Finance
10. lease payments recorded as financing payments in the cash flow statement
11. service concession liability payments in the cash flow statement.

The Department of Treasury and Finance may include or exclude items from an agency’s final budget outcome on a case-by-case basis. For more information on the principles and the basis for such inclusions or exclusions, refer to the Guidance document – Organisational performance and accountability \*currently under development\*.

Agencies are able to access a prepopulated calculation of their agency final budget outcome each month by running the Budget vs Actual – (Prorata, Excluding Administered) located under validation reports in the budget reporting system APEX[[1]](#footnote-1). A screenshot illustrating where to access this report in APEX1 is provided below.



The key elements for calculating the final budget outcome are discussed below. The final budget outcome calculation looks at the variation between the year to date actuals and budget for each of the elements discussed below.

**Operating result (Actual and budgeted)**

The operating result is the agency’s end of financial year outcome, calculated as total income less total expenses, and is also referred to as net surplus (+)/deficit(-) on the operating statement.

**Gain/loss on disposal of assets**

Gain or loss on disposal of assets is the profit or loss on the sale of an asset. This is recorded in the APEX[[2]](#footnote-2) operating statement under income. Agencies have no control over the market conditions in place at the time an asset is sold, hence gains or losses arising from the disposal of assets, captured in the operating statement are excluded when calculating the final budget outcome.

**Interest expense, depreciation and amortisation expense and other administrative expense**

Interest expenses are costs incurred in connection with borrowing funds. These largely comprise of interest on advances, loans, overdrafts, bonds and bills, deposits, interest component of lease and service concession liabilities repayments and amortisation of discounts or premiums in relation to borrowings. Interest expenses are excluded when calculating the final budget outcome because agencies generally do not have control over interest expenses.

Depreciation and amortisation expenses represents the systematic allocation of the value of assets over their expected useful lives. Agencies are not funded for depreciation and amortisation expenses and do not have control over such costs, as such, these are excluded when calculating the final budget outcome.

Other administrative expenses largely covers expenses relating to asset revaluation, impairment loss and write off expenses and assets donated and gifted. It also includes doubtful debt expenses and write offs and losses. Agencies generally do not have control over such costs, as such; they are excluded when calculating the final budget outcome.

**Waivers**

A waiver is an expense which reflects the forgoing of a right of the Territory or agency to the recovery of public money or public property owing to the Territory or agency, extinguishing the debt and renouncing the right of the Territory or agency to any future claim on that public money or public property as a result of the Territory or agency’s discretion or policy decision. Given these are policy decisions of Government, they are excluded when calculating the final budget outcome.

**Non-cash items**

Non-cash items are identified in the Treasurer’s Direction – Standard Classification Codes: Appendix A. Both non‑cash income and expenses are excluded from the final budget outcome.

Non‑cash items may include but are not limited to:

* assets acquired for nil consideration
* capital grants – non cash
* repairs and maintenance – minor new works non cash
* depreciation and amortisation

Each transaction or item must be accounted for only once when calculating the final budget outcome. For example, depreciation and amortisation expense is identified separately in the definition of the final budget outcome as an item to be excluded from the calculation of the final budget outcome. It also falls under the non-cash expense category. When calculating the final budget outcome, an agency must exclude depreciation and amortisation expense once.

**Other economic flows**

Other economic flows are identified in Treasurer’s Direction – Standard Classification Codes: Appendix A. Other economic flows measure the change in the volume or value of an agency’s assets and liabilities that do not result from transactions. Other economic flows identified may include but are not limited to:

* gain or loss on sale of non-financial assets
* bad and doubtful debt
* write up (down) of inventory
* realised or unrealised investments

As mentioned above, where a transaction falls within multiple categories, it must be accounted for once.

**Investing and financing payment activities**

**Purchases of assets** can be found under investing payments in the APEX1 cash flow statement and largely includes:

* asset acquisitions
* capitalised expenditure.

For Department of Infrastructure, Planning and Logistics, variations relating to Territory Government funded capital works projects are excluded from the agency’s purchases of assets. These are separately addressed through the budget development process.

**Advances and investing payments**

Advances and investing payments include investments in financial assets with the aim of funding particular enterprise, household and government activities. It also includes loans, advances paid, and the purchase of investment property.

Advances and investing payments can be found under investing payments in the APEX[[3]](#footnote-3) cash flow statement. Not all advances and investing payments are included when calculating the final budget outcome. Generally, if an agency received appropriation or external funding to support an advance or investing payment, the payment is included when calculating the final budget outcome. This is because funding received is recorded in the operating result; however, the corresponding expenditure is reflected in the cash flow statement.

On the other hand, if an agency receives an equity injection to fund an advance or investing payment, this payment is excluded from the final budget outcome calculation. This is because no income is recorded in the operating result for the transaction and as such, corresponding expenditure should be excluded.

Agencies should liaise with the Department of Treasury and Finance to determine which payments for advances or investments may be included or excluded when calculating the final budget outcome.

**Lease payment**

Lease payments are the principal component of lease repayments. Lease payments are located under financing payments in the APEX1 cash flow statement. Lease payments are included in the final budget outcome because they are generally funded through output appropriation, which is included in the operating result.

**Service concession liability**

Service concession liability is the principal component of service concession repayments. Service concession liability is located under financing payment in the APEX1 cash flow statement. These are included in the final budget outcome because they are generally funded through output appropriation, which is included in the operating result.

**Eligible Treasurer’s Advance expense absorbed from within existing resources**

Expenses, which would have been eligible for a Treasurer’s Advance but were absorbed from within agency’s existing resources, are excluded from the final budget outcome. This is done so that an agency is not penalised for absorbing costs they would have been eligible to receive additional appropriation for.

#### Example 1. Calculating an agency’s final budget outcome

Agency A wants to submit a request to carryover external funds of $5 million.

Before submitting the carryover request, Agency A must demonstrate a final budget outcome improvement relative to the carryover amount requested.

* **Step 1** – Identify agency’s actual and budgeted operating result using APEX1 operating statement
* **Step 2** – Identify gain or loss on disposal of assets, interest expense, depreciation and amortisation expense and other administrative expenses using the APEX[[4]](#footnote-4) operating statement. Add all expense adjustments to the operating result. Subtract all income adjustments from the operating result.
* **Step 3** – Identify waivers using Treasurer’s Direction – Standard Classification Codes: Appendix A. Add waivers to the operating result.
* **Step 4 –** Identify all non-cash income and expense accounts using Treasurer’s Direction – Standard Classification Codes: Appendix A. Subtract non-cash income from operating result. Add non-cash expenses to operating results. Where a transaction falls within multiple categories, include the transaction once.
* **Step 5 –** Identify all income and expense accounts with the ‘other economic flows’ tag in Treasurer’s Direction – Standard Classification Code: Appendix A. Subtract income with the ‘other economic flows’ tag. Add expenses with the ‘other economic flows’ tag. Where a transaction falls within multiple categories, include the transaction once.
* **Step 6 –** Identify eligible payments for investing and financing activities including purchases of assets, advances and investing payments where appropriate, lease payments and service concession liability payments using the APEX1 cash flow statement. Subtract eligible payments for investing and financing activities from the operating result.
* **Step 7** – Identify amounts eligible for a Treasurer’s Advance that have been absorbed from within existing resources. These amounts will be formally communicated by the Department of Treasury and Finance to agencies as part of the end of year process, where applicable. Add Treasurer’s advance absorbed from within existing resources to operating result.

**Table 1 – Calculating final budget outcome**

|  | Approved budget(A) | Actuals(B) | Variance C=B-A |  |
| --- | --- | --- | --- | --- |
|  |  $000 |  $000 |  $000 |  |
| Operating result (net surplus/deficit)  | -58 862 | -89 311 | -30 449 |  |
| **Add:** | **Expense adjustments** |  |  |  |  |
|  | Interest expense  | 832 | 816 | -16 |  |
|  | Depreciation and amortisation (non‑cash) | 62 596  | 65 959 |  3 363 |  |
|  | Other administrative expense | 0 | 10 900 | 10 900 |  |
|  | Non cash expenses | 0 | 50 | 50 |  |
|  | Other economic flows expense  | 0 | 100 | 100 |  |
|  | **Total expense adjustment** | **63 428** | **77 825** | **14 397** |  |
| **Less:** | **Income adjustments** |  |  |  |  |
|  | Gain/loss on disposal of assets | 0 | 0 | 0 |  |
|  | Non cash income  | 500 | 700 | 200 |  |
|  | Other economic flows income | 0 | 70 | 70 |  |
|  | **Total income adjustments** | **500** | **770** | **270** |  |
| **Less:**  | **Investing and financing payment activities adjustment** |  |  |  |  |
|  | Purchases of assets | 3 423 | 8 828 | 5 405 |  |
|   | Advances and investing payments | 10 000 |  5 877 |  - 4 123 |  |
|  | Lease payments | 3 477 |  4 416 | 939 |  |
|  | Service concession liability payments | 0 | 0 | 0 |  |
|  | **Total investing and financing payment activities adjustments**  | **16 900** | **19 121** | **2 221** |  |
| **Add:** | Treasurer’s Advance expenses absorbed from within existing resources |  | 0 | 0 |  |
|  | **Total Treasurer’s Advance expenses absorbed from within existing resources** |  | **0** | **0** |  |  |  |
| **Final budget outcome** |  |  | **-18 543** |  |

Based on calculations above, agency A’s final budget outcome is (-$18.54 million). Given agency A’s final budget outcome is less than the proposed carryover request of $5 million, the request cannot be progressed.

### 10. How do I determine if there are sufficient cash balances?

When determining if there are sufficient cash balances to support a carryover request, an agency should compare the carryover request to the unrestricted cash and deposits accounts balance at the beginning of the financial year in which the amount will be carried over.

Unrestricted cash and deposits accounts balance is the cash balance after deducting the following:

* quarantined cash and deposit accounts balance
* funds quarantined under legislation (for example, Community Benefit Fund)
* previously approved (and sought) carryovers
* unearned revenue opening balance

Quarantined cash and deposit consists of accounts noted in the Table 2 below.

**Table 2 – Quarantined cash and deposits accounts**

| **Account Category** | **Account Code**  | **Account description** |
| --- | --- | --- |
| Advance accounts | 811120811150 | Cash at Bank - Advance AccountsCash at Bank - Advance Accounts Outside Set Off Group |
| External accounts | 811130811140 | Cash at Bank - External Accounts Within Set Off GroupCash at Bank - External Accounts Within Set Off Group |
| Cash on hand | 811210 811220 | Cash Floats (including petty cash and till floats) Cash in Transit |
| Accountable officer trust accounts (AOTAs) | 911100 | Accountable Officer Trust Accounts |
| Clearing accounts | 911200911700 | Clearing MoneyDBE ICT Clearing Account |
| Interest bearing deposits, and other deposits held | 911300911900 | Interest Bearing DepositsDeposits Held - Other |

#### Example 2 - Calculation to demonstrate sufficient cash balance

Agency B is seeking to carryover external funds amounting to $5 million from 2021-22 to the 2022-23 financial year.

Before submitting the carryover request, Agency B must demonstrate it has sufficient cash balances relative to the proposed carryover amount.

* **Step 1 –** Use APEX1 cash flow statement to identify opening cash balance
* **Step 2 –** Use APEX1 trial balance to identify opening balances for quarantined cash and deposits accounts (refer to Table 2 above for relevant account codes)
* **Step 3** –Identify previously approved carryovers which impact the use of cash balances in 2022-23 and future years
* **Step 4** –Calculate revised cash balance by subtracting total quarantined cash and deposit accounts, previously approved carryovers in 2022-23 and future years and unearned revenue opening balances from the opening cash balance.
* **Step 5** –Compare the revised cash balance with proposed carryover request to determine if there are sufficient cash balances to cover the carryover request.

The table below illustrates the calculation to demonstrate sufficient cash balances.

**Table 3 – Calculations to demonstrate sufficient cash balances**

|  |  |
| --- | --- |
|  | Opening**Actual Bal**1 July 2022 |
|  |  $000 |
|  |  |
| **Cash at beginning of financial year** |  **12 339** |
| *less* quarantined cash and deposit accounts |  |
| Advance accounts |  283 |
| External accounts |  1 618 |
| Cash on hand |  48 |
| Accountable officer trust accounts (AOTAs) |  2 593 |
| Clearing accounts |  522 |
| Interest bearing deposits, and other deposits held |  1 086 |
| Quarantined under legislation |  0 |
| **Total quarantined cash and deposits** |  **6 150** |
|   |   |
| *less* previously approved (and sought) use of cash balances |  **0** |
|   |   |
| l*ess*  unearned revenue opening balance |  1 000 |
|  |  |
| **Revised cash balance** |  **5 189** |
|   |  |
| *less* \*\*new\*\* carryover requests |  **5 000** |
|  |  |
| **Surplus cash (+) / Insufficient cash (-)** |  **189** |

From the example above, agency B’s unrestricted cash and deposits accounts balance of $5.189 million is **greater** than the proposed carryover request of $5 million. As such, agency B has sufficient cash balances to cover the carryover requests and may progress request subject to meeting other conditions outlined in the Treasurer’s Direction - Carryovers.

If the revised cash balance is less than the proposed carryover request, agency B may request a carryover only up to the amount of the revised cash balance.

1. APEX is the Northern Territory Government’s primary budgeting, consolidation and reporting system, supporting the delivery of whole of government budgeting and financial reporting obligations. [↑](#footnote-ref-1)
2. APEX is the Northern Territory Government’s primary budgeting, consolidation and reporting system, supporting the delivery of whole of government budgeting and financial reporting obligations. [↑](#footnote-ref-2)
3. APEX is the Northern Territory Government’s primary budgeting, consolidation and reporting system, supporting the delivery of whole of government budgeting and financial reporting obligations. [↑](#footnote-ref-3)
4. APEX is the Northern Territory Government’s primary budgeting, consolidation and reporting system, supporting the delivery of whole of government budgeting and financial reporting obligations. [↑](#footnote-ref-4)