2007

THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

FINANCIAL MANAGEMENT AMENDMENT BILL 2007

EXPLANATORY STATEMENT

Presented by
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Treasurer

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Explanatory Statement

This explanatory statement relates to the Bill as introduced into the ACT Legislative Assembly.

Overview of Bill

As part of the 2006-07 Budget the ACT Government announced that cash management across ACT government agencies would be reformed to strengthen transparency and accountability, and to ensure that cash balances are used more effectively. A key part of these reforms was to reduce cash holdings for most departments to a buffer.

This Bill contains provisions to allow the effective administration of the cash management framework as announced in the 2006-07 Budget.

The Bill inserts provisions into the *Financial Management Act 1996* that will facilitate the efficient and effective cash management of departments by providing appropriation mechanisms:

- to provide additional funding to agencies to pay unbudgeted abnormally high levels of employee entitlements; and
- for appropriations to be preserved from one financial year to the next based on an instrument signed by the Treasurer.

The Bill also provides for three minor technical amendments relating to cross-referencing. These amendments are required to ensure the accuracy and consistency of the Act.

Outline of the Provisions

Formal clauses

Clauses 1, 2 and 3 are formal requirements. They refer to the name of the Act, the commencement date of the Act and declare that it is the *Financial Management Act 1996* which is being amended by this Act.

New sections 16A and 16B

Clause 4 inserts new section 16A. Section 16A incorporates flexibility into the appropriation framework to allow for the provision of additional funding to agencies where necessary to fund abnormally high levels of employee liability payments.

Agency appropriations include an element of funding for employee entitlement payments. This level of funding may not be adequate however, if significant numbers of retirements and resignations occur in a financial year requiring the payment of often significant accumulated long service leave.

Section 16A allows the Treasurer to authorise, by way of instrument, additional appropriation to agencies if, in the financial year concerned, the following conditions exist:

(a) an employee entitlement exists in relation to an agency in a financial year; and
(b) the agency has paid, or is required to pay, the entitlement in the financial year; and
(c) the amount of the entitlement exceeds the amount appropriated for the agency in relation to employee entitlements for the financial year.

This provision can only be used to fund employment entitlement liability payments. It cannot be used to fund new employee expenses.

The provision allows the additional funding to be approved either after the agency has made the entitlement payment(s) or before the payment(s) is made. This allows administrative and cash flow flexibility in relation to the timing of the approval, so long as the approval occurs in the same financial year as the payments.

Clause 4 also inserts new section 16B. Section 16B incorporates flexibility into the appropriation framework to address the lapsing of appropriation at the end of a financial year where the appropriation is still required in the next financial year.

This new provision allows for appropriations to be preserved from one financial year to the next based on an instrument signed by the Treasurer. The instrument can be approved either in the financial year which the appropriation occurred (i.e. appears in the Appropriation Bill), or in the next financial year. The instrument must specify the appropriation type, amount and purpose of the rollover.

When such a rollover instrument is authorised, the amount of the appropriation rolled forward to the next financial year, is in addition to the agency's appropriation authorised in an Appropriation Bill for that next year.

Technical Amendments

Clauses 5, 6 and 7 amends sections 42 (2), 43 and 44 respectively. The amendments update cross-references in sections 42 (2), 43 and 44 of the *Financial Management Act 1996*.