

Financial Management Act 1996 – Recent Financial Framework Amendments

February 2006

FABD

Dept of Treasury



Session Overview



- Background
- Financial Framework Changes for:
 - Departments
 - Territory Authorities
 - TOCs

Background



- *Financial Management Legislation Amendment Act 2005:*
 - introduction: 18 August 2005
 - passage: 18 October 2005
 - notification: 26 October 2005
 - commencement: 26 October 2005; and
1 January 2006

Who is Affected?



- Departments:
 - Financial Targets (Chief Executive Responsibilities)
 - Annual Financial Statement Reporting (original/revised budget)
 - Performance Reporting (Statement of Performance)
- Territory Authorities:
 - Budget and Appropriations
 - Annual Financial Statement Reporting
 - Performance Reporting (Statement of Performance) and
 - Credit Facility
 - Governance arrangements (not covered in today's session)
- TOCs:
 - Budget and Appropriations

Departments – Financial Targets



“Financial targets” concept removed:

- s31 Chief Executive Responsibilities - **amended**
- s12 Department Budget Estimates - **amended**
- s19E Amendment of Financial Targets - **deleted**
- Amended s31, CEs must ensure that:
 - “...as far as practicable, the operations of the department for a financial year are consistent with, and comparable to, the budget for the year” [new s31(2)(b)];
 - explanations of material variances from **revised** budget reported in the relevant Annual Report [new s31(3)]
- **Application Date:** from 2005-06

Departments – Revised Budget



“Revised budget” concept changed:

- s19F Amendment of Budgets – **deleted**
- s27 Annual financial statements of departments - **amended**
- Annual financial statements:
 - revised budget concept **removed**
 - compare results to **original** budget
- MD&A (Management discussion and analysis)
 - compare results to **revised** budget
 - revised budget = last budget estimates approved by Assembly, ie original or supplementary budget papers.
 - reconciliation between original and revised budget attached to MD&A.

Departments – Revised Budget cont



- Output Performance reporting:
 - *unchanged*
 - revised budget = last budget estimates approved by Assembly and/or under s19D.
- **Application Date:** from 2005-06

Departments – Annual Financial Reporting



- Annual Financial Statement changes:
 - compare results to “**Original Budget**” = budget estimates for 1st Appropriation Act of year
 - performance measures moved [Statement of Performance]
 - financial statements and audit opinion must be included in relevant annual report
 - financial targets no longer required
- MD&A:
 - **must** include explanations of material variances from revised budget required under new s31(3).
 - compare results to “**Revised Budget**” = last budget estimates approved by Assembly, ie original or supplementary budget.
- **Application Date:** from 2005-06

Departments – Performance Reporting



- Half yearly performance report [new s30E]:
 - period ending 31 December
 - circulated/tabled within 30 days (ie by 30 Jan)
- Annual Statement of Performance [new ss30A-30D]:
 - **separate** from financial statements;
 - compare results to “**Revised Budget**” (ie last budget estimates approved by Assembly and/or under s19D)
 - Auditor-General scrutiny: Report of Factual Findings [accountability measures only]
 - statement of performance and Auditor-General’s report must be included in relevant annual report
- **Application Date:** from 2005-06

Territory Authorities/TOCs – Budget Estimates



Budget estimates requirement formalised

- s12A Territory authority and territory-owned corporation budgets – **amended**
- Minimum budget estimates (BP4):
 - financial statements
 - output performance information (prescribed territory authorities and TOCs only)
 - loan KI information (where loan issued)
- **Application Date:** from 2006-07

Territory Authorities – Statement of Intent

SOI requirements amended

- s61-62 Territory authority statements of intent – **amended** and **renumbered**
- SOI agreed between Treasurer and Authority;
 - provided within period and in form Treasurer requires;
 - **must** include;
 - financial statements;
 - statement of objectives (budget year and next three years);
 - statement of nature and scope of activities (ditto);
 - performance criteria and other measures (ditto);
 - assessment of previous year's (estimated) performance;
 - results of review of any approved credit facilities;
- SOIs tabled in Assembly by Treasurer on **Budget Day**
- **Application Date:** from 1 January 2006 (ie 2006-07 Budget)

Territory Authorities/TOCs – Appropriations



Appropriations can now be made directly to Territory Authorities and TOCs:

- s8 Form of appropriations – **amended**
- s37 Payments from Territory banking account - **amended**
- Valid types:
 - Government Payment for Outputs (GPO)
 - Capital Injections (KI)
- Appropriations can be made through:
 - annual and supplementary appropriation acts
 - FMA instruments under ss14, 16, 17, 18, or 19B
- **Application Date:** from 2006-07

Territory Authorities/TOCs – 2006-07 Budget



- Appropriation Devolution:
 - GPO: all funding devolved **except** Concessions, ICRC services and VET contestable funding.
 - KI: all funding devolved
- Territory Authorities prescribed for Outputs:
 - ACT Tourism
 - HealthPACT
 - Cultural Facilities Corporation
 - ACTION Authority
 - Legal Aid Commission
 - CIT; and
 - ACT Gambling and Racing.

Territory Authorities prescribed for Outputs



- Budget Papers must include output(s) and strategic and accountability performance criteria:
 - measures used by departments in 2005-06; and/or
 - high-level measures in 2005-06 SOI; and/or
 - develop new (ie more relevant) measures.
- Amending output performance criteria:
 - supplementary budgets (if receiving additional approp); and/or
 - notifiable instrument under s19D “Amendment of Performance Criteria”
- Output performance criteria reported in annual statement of performance
- **Application Date:** from 2006-07

Section 19D - Performance Criteria amendment



When is it used:

may be used, but not limited to, if have—

- FMA instruments under sections 14, 16, 17, 18 or 19B
- changes in the priorities of the entity; or
- new performance criteria should be adopted.

What can it do:

- amend existing performance criteria and targets;
- transfer performance criteria (ie with transfer of functions);
- insert new performance criteria;
- the instrument **must** be made in such a way that the revised budget would comply with section 12A (2)
[ie facilitate comparison with the budget.]

Territory Authorities – Annual Financial Reporting



- Annual Financial Statement Changes:
 - performance measures moved [Statement of Performance]
 - financial statements and audit opinion must be included in relevant annual report
- MD&A:
 - **must** include explanations of material variances from SOI estimates required under new s55(4).
- **Application Date:** from 2005-06

Territory Authorities – Performance Reporting



- Annual Statement of Performance:
 - **separate** from financial statements
 - compares results to:
 - all authorities: SOI performance criteria;
 - prescribed authorities: output performance criteria’s “revised budget” (ie last budget estimates approved by Assembly and/or under s19D)
 - Auditor-General scrutiny – Report of Factual Findings [SOI and accountability measures only]
 - statement of performance and Auditor-General’s report must be included in relevant annual report
- **Application Dates:**
 - from 2005-06: SOI performance criteria
 - from 2006-07: Output performance criteria

Territory Authorities – Credit Facility

NEW

- Territory Banking Account (TBA) may issue a overdraft/credit facility to an authority
- s59 Borrowing by territory authorities – **amended**
 - s61 Territory Authority statements of intent – **amended**
 - s37 Payments from territory banking account - **amended**
 - intended for authorities with larger scale project-type operations, eg Land Development Agency
 - **Application Date:** from 1 January 2006

Territory Authorities – Credit Facility cont

NEW

- Form of Approval:
 - by Treasurer;
 - disallowable instrument;
 - purpose must be consistent with functions of the authority.
- Content of Approval:
 - purpose of overdraft;
 - maximum limit of overdraft;
 - principal and interest repayment conditions;
 - interest rate conditions;
 - other conditions that the Treasurer may require.

Territory Authorities – Credit Facility cont

NEW

- Compulsory Annual Review:
 - each overdraft subject to annual review by Treasurer, in consultation with authority and relevant Minister;
 - results of annual review **must** be included in SOI for following year (eg 2005-06 review in 2006-07 SOI)
 - timing implications: SOI must be tabled with budget for year
 - new instrument issued if review changes the overdraft's purpose, limit and/or conditions.

Territory Authorities – Guarantees

NEW

Territory Authorities may only give a guarantee with the written approval of the Treasurer (s60)

- Form of Approval:
 - by Treasurer;
 - s60 instrument.
- contact your usual FABD budget officer to arrange.
- **Application Date:** from 1 January 2006

Territory Authority Governance Arrangements

NEW

- Core Provisions include:
 - general roles and functions of the Chair, Deputy Chair, Governing Board and Chief Executive Officer;
 - requirement for authorities to keep Government informed about significant events impacting upon their operations;
 - requirement for board members to act honestly and to exercise due care and diligence;
 - arrangements for dealing with conflicts of interest;
 - requirement for authorities to ensure that all subsidiaries (if there are any) only do things that the authority itself has the power to do;
 - ability for Government to notify statutory authorities of any general government policies that should be taken into consideration;
 - clear legislative basis for the removal of board members; and
 - requirement for ministerial directions to be in writing and disclosed publicly.

Useful Information:

- ACT Legislation Website [www.legislation.act.gov.au]:
 - *Financial Management Legislation Amendment Act 2005*;
 - *Financial Management Act 1996* (republished);
 - FMA Guidelines (disallowable instruments);
 - FMA notifiable instruments (eg s19D instruments)
- PCO's Website [www.pco.act.gov.au] :
 - templates and instructions for notifiable instruments
- DT Memos:
 - 2002/25: s19C and s19D instrument instructions.
 - 2006/**xx** Financial Management Amendment Act 2005.

More Useful Information:

- **ACT Budget Website** [www.treasury.act.gov.au/budget]:
 - 2005-06 Budget Papers (earlier papers available also);
 - *Guide to Changes in 2005-06 Budget presentation* [includes overview of revised performance management framework]
- **Accounting Website** [www.treasury.act.gov.au/accounting]:
 - Model Financial Report and templates;
 - MD&A Better Practice Guide and templates;
 - FMA Guidance papers

Yet More Useful Info:

→ FABD Website [<http://fabd.act.gov.au>]:

- website info includes:
 - key due dates
 - budget analyst contact list
 - guidance papers, including:
 - guides to the budget process;
 - recurrent and capital initiative templates
 - information on the Whole-of-Government chart of accounts and BDA reason codes
 - relevant Treasury memoranda
 - FMA instrument templates and a list of FMA delegations
- currently only accessible from within the ACTGOV network.
 - on request, CD of website can be provided to relevant staff outside the ACTGOV network.

QUESTIONS?



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