

2002

THE LEGISLATIVE ASSEMBLY  
FOR THE AUSTRALIAN CAPITAL TERRITORY

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(As presented)

(Mr Gary Humphries)

# Financial Legislation (Integrity and Responsibility) Amendment Bill 2002

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## **Financial Legislation (Integrity and Responsibility) Amendment Bill 2002**

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### **A Bill for**

An Act to amend the *Financial Management Act 1996* and the *Annual Reports (Government Agencies) Act 1995*

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The Legislative Assembly for the Australian Capital Territory enacts as follows:

1 **Part 1 Preliminary**

2 **1 Name of Act**

3 This Act is the *Financial Legislation (Integrity and Responsibility)*  
4 *Amendment Act 2002*.

5 **2 Commencement**

6 This Act commences on 1 July 2003.

7 *Note* The naming and commencement provisions automatically commence on  
8 the notification day (see Legislation Act, s 75 (1)).

1 **Part 2** **Financial Management**  
2 **Act 1996**

3 **3 Act amended—pt 2**

4 This part amends the *Financial Management Act 1996*.

5 **4 New part 1A**

6 *insert*

7 **Part 1A** **Principles of sound financial**  
8 **management**

9 **4A Government to operate in accordance with sound**  
10 **financial management principles**

- 11 (1) The government must establish and maintain a budgeting and  
12 reporting framework that is consistent with the principles of sound  
13 financial management to form a basis for the provision of  
14 sustainable social and economic services and infrastructure fairly to  
15 all ACT residents.
- 16 (2) The principles of sound financial management are that the  
17 government must—
- 18 (a) manage financial risks faced by the Territory prudently, having  
19 regard to economic circumstances; and
- 20 (b) pursue spending and taxing policies that are consistent with a  
21 reasonable degree of stability and predictability in the level of  
22 the tax burden; and
- 23 (c) maintain the integrity of the Territory's tax system; and
- 24 (d) ensure that it takes into account the financial impact on future  
25 generations when making its policy decisions; and

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1 (e) give full, accurate and timely disclosure of financial  
2 information relating to the activities of the government and its  
3 agencies.

4 (3) In this section:

5 *financial risks* include the following:

6 (a) risks arising from the level of the Territory's general  
7 government sector debt;

8 (b) commercial risks arising from ownership of corporations and  
9 public enterprises;

10 (c) risks arising from changes in the structure of the Territory's tax  
11 base;

12 (d) risks arising from management of the Territory's assets and  
13 liabilities.

14 **5 New sections 9C, 9D and 9E**

15 *insert*

16 **9C Financial policy objectives and strategies statement**

17 (1) The Treasurer must prepare 2 financial policy objectives and  
18 strategies statements for each financial year.

19 (2) The 1st statement must be for the Territory budget for the financial  
20 year.

21 (3) The 1st statement must be presented to the Legislative Assembly  
22 with the proposed budgets and consolidated financial management  
23 statements mentioned in section 10 for the financial year.

24 (4) The 2nd statement must be for the budget update for the financial  
25 year.

26 (5) The 2nd statement must be presented to the Legislative Assembly  
27 with the budget update for the financial year.

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**9D Purpose of financial policy objectives and strategies statement**

The purpose of a financial policy objectives and strategies statement is to make transparent the government's financial strategies and to establish a benchmark for evaluating the government's conduct of financial policy.

**9E Contents of financial policy objectives and strategies statement**

- (1) A financial policy objectives and strategies statement must be based on the principles of responsible fiscal management.
- (2) The financial policy objectives and strategies statement for the Territory budget or budget update for a financial year must—
  - (a) state the government's long-term financial objectives within which financial policy for the financial year and the following 3 financial years will be framed; and
  - (b) explain the broad strategic priorities on which the budget or budget update is based; and
  - (c) state the key financial measures that the government has identified as being important and against which financial policy will be set and assessed; and
  - (d) state, for the financial year and the following 3 financial years—
    - (i) the government's short-term financial objectives; and
    - (ii) the targets for each stated key financial measure; and
  - (e) explain how the financial objectives and strategic priorities mentioned in paragraphs (a), (b) and (d) relate to the principles of responsible fiscal management; and

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- 1 (f) state any financial policy actions taken or to be taken that are  
2 temporary in nature, the reasons for taking them and indicate  
3 the process for their revision; and
- 4 (g) identify the reporting basis on which subsequent financial  
5 reports will be prepared; and
- 6 (h) state the reasons for any changes from the previous financial  
7 policy objectives and strategies statement.
- 8 (3) However, if particular information required to be included in the  
9 financial policy objectives and strategies statement is unchanged  
10 from information set out in full in an earlier statement, the statement  
11 may instead summarise the information and state that it is  
12 unchanged from that set out in the earlier statement.
- 13 (4) In this section:  
14 *principles of responsible fiscal management*—see section 11 (5).

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15 **6 Territory budgets**  
16 **New section 11 (3A)**

17 *insert*

- 18 (3A) A proposed budget must also include—
- 19 (a) a statement of the economic or other assumptions used to make  
20 the budget estimates; and
- 21 (b) a statement about the sensitivity of the budget estimates to  
22 changes in the economic or other assumptions; and
- 23 (c) a statement of the risks, quantified if possible, that may affect  
24 the budget estimates.

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25 **7 New section 11 (5) (aa) to (ac)**

26 *before paragraph (a), insert*



- 1 (aa) pursuing spending and taxing policies that are consistent with a  
2 reasonable degree of stability and predictability in the level of  
3 the tax burden; and  
4 (ab) maintaining the integrity of the Territory's tax system; and  
5 (ac) ensuring the financial impact on future generations is taken  
6 into account when making policy decisions; and

7 **8 Section 11**

8 *renumber subsections and paragraphs when Act next republished*  
9 *under Legislation Act 2001*

10 **9 New sections 13A to 13C**

11 *insert*

12 **13A Budget update**

- 13 (1) The Treasurer must prepare a budget update for each financial year.  
14 (2) The Treasurer must present the budget update for a financial year to  
15 the Legislative Assembly on the 1st sitting day in the 2nd half of the  
16 financial year.

17 **Example**

18 For the 2003-4 financial year, the 1st sitting day in calendar year 2004 (the 2nd  
19 half of the 2003-4 financial year) is 3 February 2004. That is the day the budget  
20 update for the 2003-4 financial year must be presented.

21 *Note* An example is part of the Act, is not exhaustive and may extend, but  
22 does not limit, the meaning of the provision in which it appears (see  
23 Legislation Act, s 126 and s 132).

24 **13B Purpose of budget update**

25 The purpose of the budget update for a financial year is to give  
26 updated information to allow the assessment of the government's  
27 financial performance against the financial policy objectives and

1 strategies set out in the financial policy objectives and strategies  
2 statement for the Territory budget for the financial year.

3 **13C Contents of budget update**

- 4 (1) The budget update for a financial year must be based on the  
5 financial policy objectives and strategies statement for the Territory  
6 budget for the financial year and generally accepted accounting  
7 practice.
- 8 (2) The budget update for a financial year must—
- 9 (a) include updated financial statements mentioned in section  
10 11 (1) for the financial year; and
- 11 (b) include updated budget estimates mentioned in section 11 (3)  
12 for each of the next 3 financial years; and
- 13 (c) take into account government decisions and other  
14 circumstances that may have material effect on the financial  
15 statements and budget estimates; and
- 16 (d) state the date as at when the updating was done.
- 17 (3) However, if particular information required to be included in the  
18 budget update is unchanged from information set out in full in the  
19 financial statements or budget estimates for the financial year, the  
20 update may instead summarise the information and state that it is  
21 unchanged from that set out in the financial statements or budget  
22 estimates.

23 **10 New sections 19F and 19G**

24 *insert*

25 **19F Intergenerational report**

- 26 (1) The Treasurer must prepare intergenerational reports.

1 (2) The Treasurer must present an intergenerational report to the  
2 Legislative Assembly with the Territory budget for every 5th  
3 financial year.

4 (3) An intergenerational report is a notifiable instrument.

5 *Note* A notifiable instrument must be notified under the Legislation Act.

6 (4) The Treasurer must present the 1st intergenerational report to the  
7 Legislative Assembly with the Territory budget for the financial  
8 year beginning on 1 July 2004.

9 (5) Subsection (4) and this subsection expire on 31 July 2004.

#### 10 **19G Contents of intergenerational report**

11 An intergenerational report must assess the long-term sustainability  
12 of current government policies over the next 30 years, including by  
13 taking account of the financial implications of demographic change.

#### 14 **11 New part 2A**

15 *insert*

### 16 **Part 2A Pre-election budget update**

#### 17 **20A Pre-election budget update**

18 (1) At least 48 days before the polling day for an ordinary election, the  
19 chief executive must prepare, and give to the parliamentary counsel  
20 for notification, a pre-election budget update.

21 (2) At least 20 days before the polling day for an election mentioned in  
22 the *Australian Capital Territory (Self-Government) Act 1988*  
23 (Cwlth), section 16 (Dissolution of Assembly by Governor-General)  
24 or section 48 (Resolution of no confidence in Chief Minister), the  
25 chief executive must prepare, and give to the parliamentary counsel  
26 for notification, a pre-election budget update.

1       (3) A pre-election budget update is a notifiable instrument.

2             *Note*       A notifiable instrument must be notified under the Legislation Act.

3       (4) In this section:

4             *ordinary election*—see the *Electoral Act 1992*, dictionary.

5             *polling day*—see the *Electoral Act 1992*, dictionary.

6       **20B Purpose of pre-election budget update**

7             The purpose of a pre-election budget update for an election is—

8             (a) to allow the assessment of the government's financial  
9               performance against the financial policy objectives and  
10              strategies set out in the current financial policy objectives and  
11              strategies statement; and

12            (b) to give the electorate an accurate picture of the Territory's  
13              financial position before the election.

14       **20C Contents of pre-election budget update**

15       (1) A pre-election budget update must be based on the current financial  
16       policy objectives and strategies statement and generally accepted  
17       accounting practice.

18       (2) A pre-election budget update for an election must include—

19            (a) updated financial statements mentioned in section 11 (1) for  
20              the financial year in which the election is to be held; and

21            (b) updated budget estimates mentioned in section 11 (3) for each  
22              of the next 3 financial years; and

23            (c) a statement of the economic or other assumptions used in  
24              preparing the updated financial statements and budget  
25              estimates; and

- 1 (d) a statement about the sensitivity of the updated financial  
2 statements and budget estimates to changes in the economic or  
3 other assumptions; and
- 4 (e) a statement of the risks, quantified if possible, that may affect  
5 the economic or other assumptions, including—
- 6 (i) contingent liabilities; and
- 7 (ii) publicly announced government commitments that are  
8 not yet included in the updated financial statements and  
9 budget estimates.
- 10 (3) Information in the pre-election budget update must—
- 11 (a) take into account government decisions and other  
12 circumstances that may have material effect on the financial  
13 statements and budget estimates; and
- 14 (b) state the date as at when the updating was done.
- 15 (4) However, if particular information required to be included in the  
16 pre-election budget update is unchanged from information set out in  
17 full in the latest financial statements or budget estimates mentioned  
18 in section 11 or budget update, the pre-election budget update may  
19 instead summarise the information and state that it is unchanged  
20 from that set out in the financial statements, budget estimates or  
21 budget update.

22 **12 Annual financial statements of departments**  
23 **New section 27 (3) (ab)**

24 *insert*

- 25 (ab) a statement of the amount by which the total estimated  
26 expenditure for the department for the year (contained in the  
27 budget estimates for the year) exceeded or was less than the  
28 total actual expenditure of the department for the year; and

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**13 Section 27 (3)**

*renumber paragraphs when Act next republished under Legislation Act 2001*

**14 Section 27 (5)**

*omit*

subsections (2) and (4)

*substitute*

subsections (2), (3) (ab) and (4)

**15 Quarterly departmental performance reports  
Section 30A (1), new note**

*insert*

*Note* A report under the *Annual Reports (Government Agencies) Act 1995*, section 7A (Other reports) may be included in a quarterly departmental performance report.

**16 Annual financial statements  
New section 59 (3) (ab)**

*insert*

(ab) a statement of the amount by which the total estimated expenditure for the authority for the year (contained in the statement of intent for the year provided by the authority under section 58) exceeded or was less than the total actual expenditure of the authority for the year; and

**17 Section 59 (3)**

*renumber paragraphs when Act next republished under Legislation Act 2001*

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## Part 3                      Annual Reports (Government Agencies) Act 1995

### 18    Act amended—pt 3

This part amends the *Annual Reports (Government Agencies) Act 1995*.

### 19    Section 1

*substitute*

#### 1      Name of Act

This Act is the *Government Agencies Reports Act 1995*.

### 20    New section 7A

*insert*

#### 7A    Other reports

- (1) The responsible Minister for an administrative unit may, in writing, direct the chief executive of the unit to give the Minister a report about any matter relating to the unit's operations in a quarter.
- (2) If the responsible Minister for the administrative unit is required by a resolution of the Legislative Assembly to present a report to the Assembly about a matter relating to the unit's operations, the Minister must give a direction about the matter under subsection (1).
- (3) A direction mentioned in subsection (2) must set out the Legislative Assembly's resolution.
- (4) A direction under this section is a notifiable instrument.

*Note*      A notifiable instrument must be notified under the Legislation Act.

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- 1 (5) The chief executive of the administrative unit must prepare the  
2 report, and give it to the responsible Minister—
- 3 (a) if the direction is given during the quarter to which it  
4 relates—within 30 days after the day the quarter ends; or
- 5 (b) if the direction is given after the quarter to which it  
6 relates—within 30 days after the day the direction is given.
- 7 (6) The responsible Minister must present the report to the Legislative  
8 Assembly on the first sitting day after the day the Minister is given  
9 the report.
- 10 (7) If, in the Treasurer's opinion, a report under this section can  
11 conveniently be incorporated into a quarterly departmental  
12 performance report under the *Financial Management Act 1996*,  
13 section 30A, the report may be incorporated in that report.

14 **21 Reporting period other than financial year—public**  
15 **authorities**  
16 **New section 10 (1A) and (1B)**

17 *insert*

- 18 (1A) If the Minister is required by a resolution of the Legislative  
19 Assembly to present a report mentioned in subsection (1) to the  
20 Assembly, the Minister must give a direction under subsection (1)  
21 requiring presentation of the report.
- 22 (1B) A direction mentioned in subsection (1A) must set out the  
23 Legislative Assembly's resolution.

24 **22 Section 10**

25 *renumber subsections when Act next republished under Legislation*  
26 *Act 2001*



**23 New section 17***insert***17 References to Annual Reports (Government Agencies) Act 1995**

(1) In any Act, statutory instrument or document, a reference to the *Annual Reports (Government Agencies) Act 1995* is a reference to this Act.

(2) In any Act, statutory instrument or document, a reference to a particular provision of the *Annual Reports (Government Agencies) Act 1995* is a reference to the corresponding provision of this Act.

(3) This section expires on 1 July 2004.

(4) This section is a law to which the *Legislation Act 2001*, section 88 (Repeal does not end transitional or validating effect etc) applies.

**24 Title***substitute*

An Act about reports of certain government agencies

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**Endnote****Republications of amended laws**

For the latest republication of amended laws, see [www.legislation.act.gov.au](http://www.legislation.act.gov.au).