



Australian Capital Territory

Financial Management Amendment Act 2003 (No 2)

A2003-46

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2003 070B

Authorised by the ACT Parliamentary Counsel—also accessible at www.legislation.act.gov.au



Australian Capital Territory

Financial Management Amendment Act 2003 (No 2)

A2003-46

An Act to amend the *Financial Management Act 1996*

*Notified under the Legislation Act 2001 on 31 October 2003
(see www.legislation.act.gov.au)*

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

2003 070B

Authorised by the ACT Parliamentary Counsel—also accessible at www.legislation.act.gov.au

1 Name of Act

This Act is the *Financial Management Amendment Act 2003 (No 2)*.

2 Commencement

This Act commences on the day after its notification day.

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

3 Act amended

This Act amends the *Financial Management Act 1996*.

4 Part 2 heading

substitute

Part 2 Budget management

Division 2.1 Appropriations and budgets

5 Section 11

substitute

11 Territory budgets

- (1) The proposed budget for the Territory for a financial year presented to the Legislative Assembly under section 10 (a) must include—
 - (a) a financial policy objectives and strategies statement under section 11A for the financial year; and
 - (b) a statement of the economic or other assumptions used to make the budget estimates; and

- (c) a statement about the sensitivity of the budget estimates to changes in the economic or other assumptions; and
 - (d) a statement of the risks, quantified if possible, that may affect the budget estimates, including contingent liabilities; and
 - (e) the financial statements required under the financial management guidelines.
- (2) The proposed budget must be prepared in a form that assists a comparison, for each appropriation unit, between the budget for the Territory for the previous financial year and the proposed budget.
- (3) The financial statements included in the proposed budget under subsection (1) (e) must include budget estimates, for each appropriation unit, for each of the next 3 financial years; and
- (4) The proposed budget must be prepared taking into account—
- (a) the principles of responsible fiscal management;
 - (b) the object of providing a basis for sustainable social and economic services and infrastructure fairly to all ACT residents; and
 - (c) the object of ecologically sustainable development.
- (5) The proposed budget may depart from the principles of responsible fiscal management, but if it does so—
- (a) any departure must be temporary; and
 - (b) the Treasurer must present to the Legislative Assembly, when the first Appropriation Bill for the financial year is presented to the Legislative Assembly, a statement setting out—
 - (i) the reasons for the departure; and
 - (ii) the approach intended to be taken to return to the principles; and
 - (iii) when the principles are expected to be returned to.

(6) In this section:

ecologically sustainable development means the effective integration of economic and environmental considerations in decision-making processes achievable through implementation of the following principles:

- (a) the precautionary principle;
- (b) the inter-generational equity principle;
- (c) conservation of biological diversity and ecological integrity;
- (d) improved valuation and pricing of environmental resources.

fiscal risks include the following:

- (a) risks from the level of the Territory's general government sector debt;
- (b) commercial risks from ownership of corporations and public enterprises;
- (c) risks from changes in the structure of the Territory's tax base;
- (d) risks from management of the Territory's assets and liabilities.

inter-generational equity principle means that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.

precautionary principle means that, if there is a threat of serious or irreversible environmental damage, a lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.

principles of responsible fiscal management means the following principles:

- (a) ensuring that the total liabilities of the Territory are at prudent levels to provide a buffer against factors that may impact

adversely on the level of total Territory liabilities in the future, and ensuring that, until prudent levels have been achieved, the total operating expenses of the Territory in each financial year are less than its operating revenue levels in the same financial year;

- (b) when prudent levels of total Territory liabilities have been achieved, maintaining the levels by ensuring that, on average, over a reasonable period of time, the total operating expenses of the Territory do not exceed its operating revenue levels;
- (c) achieving and maintaining levels of Territory net worth to provide a buffer against factors that may impact adversely on levels of Territory net worth in the future;
- (d) managing prudently the fiscal risks of the Territory;
- (e) pursuing spending and taxing policies that are consistent with a reasonable degree of stability and predictability in the level of the tax burden;
- (f) giving full, accurate and timely disclosure of financial information about the activities of the government and its agencies.

11A Financial policy objectives and strategies statement

- (1) The purposes of a financial policy objectives and strategies statement included in a proposed budget under section 11 (1) (a) are—
 - (a) to make transparent the government’s financial strategies; and
 - (b) to establish a benchmark for evaluating the government’s conduct of financial policy.
- (2) The statement must be based on the principles of responsible fiscal management.

- (3) The statement must—
- (a) state the government’s long-term financial objectives within which financial policy for the financial year and the next 3 financial years will be framed; and
 - (b) explain the broad strategic priorities on which the budget 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 next 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
 - (f) state the reasons for any changes from the previous financial policy objectives and strategies statement.

- (4) In this section:

principles of responsible fiscal management—see section 11 (6).

6 New division 2.2

insert

Division 2.2 Budget reviews and pre-election updates

20A Budget review

- (1) The Treasurer must prepare a budget review for each financial year.

- (2) The Treasurer must present the budget review for a financial year to the Legislative Assembly not later than 15 February in the financial year.

Note This is the same day as financial statements for the second quarter of the financial year are required to be presented under section 26 (Periodic financial statements).

- (3) However, if a sitting day does not fall in that year on or before 15 February, the Treasurer must give copies of the budget review to each member of the Legislative Assembly on or before that day.

20B Purpose and contents of budget review

- (1) The purpose of the budget review for a financial year is to give updated information to allow the assessment of the government's financial performance against the financial policy objectives and strategies set out in the financial policy objectives and strategies statement for the Territory budget for the financial year.
- (2) The budget review for a financial year must be based on the financial policy objectives and strategies statement for the Territory budget for the financial year.
- (3) The budget review for a financial year must—
- (a) include updated financial statements required under the financial management guidelines for the general government sector for the financial year; and
 - (b) include whole-of-year results for the previous financial year, the budget for the financial year, the estimated financial position of the Territory at the end of the financial year and updated budget estimates for each of the next 3 financial years; and
 - (c) include a review of the financial policy objectives and strategies statement included in the budget for the financial year that satisfies the requirements of section 11A (2) and (3); and

- (d) state the date as at when the review was done.
- (4) However, if particular information required to be included in the budget review is unchanged from information set out in full in the budget for the Territory under section 11 (1) for the financial year, the review may instead summarise the information and state that it is unchanged from that set out in the budget.
- (5) For subsection (3):

budget, for a financial year, means the budget for the year presented to the Legislative Assembly under section 10 (a) (Budget papers) and, if that budget has been amended under this Act, the budget as amended.

20C Pre-election budget update

- (1) At least 30 days before the polling day for an ordinary election, the chief executive must prepare a pre-election budget update and give it to the parliamentary counsel for notification.
- (2) At least 20 days before the polling day for an election mentioned in the *Australian Capital Territory (Self-Government) Act 1988* (Cwlth), section 16 (Dissolution of Assembly by Governor-General) or section 48 (Resolution of no confidence in Chief Minister), the chief executive must prepare a pre-election budget update and give it to the parliamentary counsel for notification.
- (3) A pre-election budget update is a notifiable instrument.

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

- (4) In this section:

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

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

20D Purpose and contents of pre-election budget update

- (1) The purpose of a pre-election budget update for an election is—
 - (a) to allow the assessment of the government's financial performance against the financial policy objectives and strategies set out in the latest financial policy objectives and strategies statement; and
 - (b) to give the electorate an accurate picture of the Territory's financial position before the election.
- (2) A pre-election budget update must be based on the latest financial policy objectives and strategies statement.
- (3) A pre-election budget update for an election must include—
 - (a) updated financial statements required under the financial management guidelines for the financial year in which the election is to be held; and
 - (b) updated budget estimates for the general government sector, public trading enterprises and the Territory for that financial year and for each of the next 3 financial years; and
 - (c) a statement of the economic or other assumptions used in preparing the updated financial statements and budget estimates; and
 - (d) a statement about the sensitivity of the updated financial statements and budget estimates to changes in the economic or other assumptions; and
 - (e) a statement of the risks, quantified if possible, that may affect the economic or other assumptions, including—
 - (i) contingent liabilities; and
 - (ii) publicly announced government commitments that are not yet included in the updated financial statements and budget estimates.

- (4) Information in the pre-election budget update must—
- (a) take into account government decisions and other circumstances that may have material effect on the financial statements and budget estimates; and
 - (b) state the date as at when the updating was done.
- (5) However, if particular information required to be included in the pre-election budget update is unchanged from information set out in full in the latest financial statements, the budget estimates mentioned in section 11 (Territory budgets) or budget review, the pre-election budget update may instead summarise the information and state that it is unchanged from that set out in the financial statements, budget estimates or budget review.

7 Audit of annual financial statements

New section 24 (3) and (4)

insert

- (3) Despite subsections (1) and (2), if an ordinary election is to be held in the year after the end of the financial year—
- (a) the Treasurer must give the auditor-general a copy of the annual financial statements of the Territory for the financial year in sufficient time for the auditor-general to give an audit opinion about the statements within 3 months after the end of the financial year; and
 - (b) the auditor-general must give an audit opinion to the Treasurer within 3 months after the end of the financial year.
- (4) In this section:
- ordinary election***—see the *Electoral Act 1992*, dictionary.

**8 Presentation of annual financial statements to Legislative Assembly
Section 25**

omit

If the

substitute

- (1) If the

9 New section 25 (2)

insert

- (2) If the Treasurer receives, under section 24 (3) (b), an audit opinion about annual statements, the Treasurer must give to each member of the Legislative Assembly, within 7 days after receiving the opinion—
- (a) a copy of the annual financial statements; and
 - (b) a copy of the audit opinion.

Endnote

Republications of amended laws

For the latest republication of amended laws, see www.legislation.act.gov.au.

[Presentation speech made in Assembly on 21 August 2003]

I certify that the above is a true copy of the Financial Management Amendment Bill 2003 (No 2) which was passed by the Legislative Assembly on 21 October 2003.

Clerk of the Legislative Assembly

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