ACT GOVERNMENT

Amendments to the Financial Management (Amendment) Bill (No. 2) 1997

EXPLANATORY MEMORANDUM

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OUTLINE

The objective of this Bill is to make a number of amendments to the clauses in the Financial Management (Amendment) Bill (No.2) 1997 moved by the Treasurer. The amendments are made in light of the first twelve months of operation of the Financial Management Act 1996. The amendments in this Bill relate to:

a) the transfer of funds between and within appropriations;
b) the variation of appropriations for Commonwealth grants;
c) payments in anticipation of appropriation or supply;
d) the authorisation of expenditure of certain Commonwealth grants;
e) the investment of public money; and
f) transitional and saving - application of certain appropriated monies.

Revenue Cost Implications

The Bill will not impact on the 1997/8 Budget.

DETAILS OF THE BILL

Short title, Commencement, Principal Act

These are formal provisions. The "Principal Act" is the *Financial Management Act 1996.*

Clauses 6 and 7
Transfer of funds between appropriations
Transfer of funds within appropriations

Section 14 and 15 of the principal act deal with transfers of funds between and within appropriations respectively.

In the case of appropriations between funds, subsection (2) is omitted. The omission of the section enables the transfer of funds between different types of appropriations.

Subsection (3) is clarified by further defining the 3% threshold limit to 3% of the appropriation type that is to be reduced. The previous amendment to subsection (3), establishing a 5% threshold limit, has been withdrawn.

Transfer of funds within appropriations is restricted to 3% or $300,000.

Insertion
Variation of appropriations for Commonwealth grants

This clause amends section 17 to increase the transparency and accountability of variations made to specific purpose Commonwealth grant appropriations.

It is not always possible to know accurately the amount to be provided from an existing specific purpose Commonwealth grant, particularly when the ACT's budget precedes the Commonwealth budget.

While Section 17 of the Financial Management Act 1996 currently allows the appropriation to be varied to reflect the amount actually provided by the Commonwealth, it only requires the Treasurer to direct that the appropriation amount be varied by instrument. There is no requirement for the Treasurer to provide a copy of the direction to the Legislative Assembly.

This amendment will require the Treasurer to lay a copy of the direction before the Legislative Assembly within 3 sitting days after it is given.

Proposed clause 8A
Insertion
Payments in anticipation of appropriation or supply

A department may spend above the level of funding appropriated within a financial year to meet costs incurred within that financial year that would otherwise have been met in the following financial year. The resulting expense must be met from the following years appropriations.
This amendment removes the artificial construct of 30 June reporting date and allows for consistency of operation on and around the end of the financial year.

The expense incurred is limited to 3% of the following years approved appropriations (where an appropriation bill has been passed).

If the following years appropriation bill has not been passed, the 3% limit applies to the money provided under section 7 of the Principal Act.

Insertion
Authorisation of expenditure of certain Commonwealth grants

The insertion of section 19B legislates for the expenditure of *new* special purpose Commonwealth grants. At present, the FMA has no provisions to authorise the expenditure of specific purpose Commonwealth grants which were not included in the budget. This amendment will allow the Treasurer, by instrument, to authorise expenditure of the funds in accordance with the agreement with the Commonwealth, during the relevant budget year for which the funds are provided by the Commonwealth.

This amendment will require the Treasurer to lay a copy of the direction before the Legislative Assembly within 3 sitting days after it is given.

Clause 10
Omission
Investment of public money

Previous amendments to the investment of public money has been withdrawn.

Proposed transitional clause 14
Insertion
Transitional and saving - application of certain appropriated monies

Under accrual accounting, closing balances in bank accounts (whether positive or negative) are carried forward at the end of each financial year rather than zeroed. This transitional clause allows ending bank balances to be available for expenditure without further appropriation for the general purposes for which the money was originally appropriated (even though the period of the original appropriation has expired).

To remove any element of doubt subsections (1) and (2) have been incorporated. These sections relate to periods prior to this amendment and serve the same purpose as for section 34A.