



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 15 April 1999

FINANCIAL ADMINISTRATION LEGISLATION AMENDMENT BILL

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (11.52 a.m.): I move—

"That the Bill be now read a second time."

This Bill represents an historic improvement in the system of financial management in this State. It contains two very important initiatives. Firstly, the Bill provides for Governments to prepare and table in the Parliament charters of social and fiscal responsibility. Secondly, it provides for the introduction of accrual output budgeting commencing in the 1999-2000 financial year.

I announced in the 1998-99 Budget last September that the Government would implement a charter of social and fiscal responsibility. This Bill is the fulfilment of that commitment. This is a very good initiative and I will continue to remind the people of the Government's initiative. A charter will be required to state a Government's broad social and fiscal objectives, and establish a framework for assessing the Government's performance in achieving those objectives.

The legislative scheme that is proposed can be summarised as follows. Firstly, there is a legislative commitment for the Treasurer to prepare a charter and table it; it has effect from the date it is tabled; the legislation sets out the principles that the Treasurer must have regard to in preparing a charter; and the legislation also sets out the matters that must be addressed in a charter, including—

- the Government's community objectives;
- the Government's financial objectives;
- the way in which policies are reviewed; and
- arrangements for regular reporting to the community.

The use of charters is becoming more popular in other jurisdictions and there are a number of possible models. I believe the proposed framework represents best practice in this area and is designed to remain in place for the long term.

We have not sought to entrench Government policy in the amendments by legislating for the specific content of the charters. Rather, we are proposing a generic model equally applicable to Governments of any political persuasion.

The framework sets out what a Government's charter must address and the principles on which it must be based. A Government is then free to develop for implementation its charter recognising its own priorities. A key plank is that the proposed legislation preserves the independence and integrity of the Treasury. It prohibits Treasury officers from being compromised by giving advice on election commitments prior to an election.

The prime objective and benefit of the charter process is to enhance fiscal and financial management, the transparency of Government operations and the accountability of Governments. When the Bill is passed, the Government will proceed to publicly present its charter and I will be announcing details later in the year.

Dr Watson interjected.

Mr HAMILL: And people will welcome that announcement, because it will provide the detail of the charter, building on the framework that this legislation provides.

I also announced at Budget time last year that the Government is committed to delivering its next Budget on a full accrual output budgeting basis and that, to enable this major transformation of the budget process to be completed in an orderly and planned manner, the 1999-2000 Budget would be presented in September 1999. Accrual output budgeting will be the foundation for the Government's proposed charter of social and fiscal responsibility.

The current system of budget management in place, Program Management, has been in operation over 10 years and no longer reflects best practice. All other major jurisdictions in Australia have either introduced or are in the process of introducing some form of accrual budgeting. It is proposed to modernise budget practice in this State by adopting a form of accrual output budgeting designed to meet our needs. The Queensland model is known as Managing for Outcomes.

Managing for Outcomes represents a modern form of public management. The Government decides the outcomes it wishes to achieve for the community and arranges for departments to produce the outputs—the services—which will help achieve those outcomes. Managing for Outcomes aims to—

- promote the achievement of the Government's endorsed policy objectives and outcomes, by translating them into funded services;
- promote better management of the State's balance sheet;
- encourage an improved focus on results achieved;
- increase flexibility for agencies to manage service delivery within agreed accountability frameworks;
- give Public Service managers the tools to manage their core business more effectively;
- promote a clearer understanding for public sector managers of what is expected and how success will be measured; and
- provide significantly improved information on the services being delivered by agencies, the total cost of these services, the net worth of agencies and Government, and the impact of Budget decisions on this net worth, and the expenses and revenues, assets and liabilities of individual agencies and the Government as a whole.

The major provisions of the Bill are as follows—

- (a) The public accounts will be restructured. The Consolidated Fund will be restructured to receive taxes, licences, permits, regulatory fees, fines, forfeitures, royalties and general purpose Commonwealth grants collected by departments. These receipts will be accounted for as administered receipts by departments, that is, whole-of-Government cash flows administered by them on behalf of the State. The fund will be the source of appropriation payments issued to departments by the Treasurer.
- (b) The financial operations of departments will be separated from the Consolidated Fund, which will record whole-of-Government cash flows. Departments will remit taxes and other State revenue to the Consolidated Fund, retain controlled revenue such as user charges and receive appropriations from the Consolidated Fund.
- (c) The Trust and Special Funds will cease to operate at the whole-of-Government level. Funds will be devolved to departments, appropriation of expenditure from funds will no longer occur and existing accountability and reporting arrangements will be monitored.
- (d) The format of appropriation will be restructured. There will be a single global appropriation figure—a Vote—for each department. Within the Vote figure, separate amounts will be specified for the following headings—

Departmental Outputs—operating revenue for the delivery of services;

Administered Items—funds to outside bodies for non-departmental outputs, grants and transfer payments and funds for other items administered by departments on behalf of the State;

and Equity Adjustment—either an equity injection to increase a department's net worth or an equity withdrawal to reduce it.

The expenditure that will be recorded against the appropriation limit will be the amount paid by the Treasurer to departments, rather than the final expenditure by departments, as is currently the case. The output appropriation will be calculated on an accrual accounting basis—it will provide for depreciation, for example. The operational provisions of the Financial Administration and Audit Act 1977 will be amended in line with the structure of the new system.

Other new features being introduced include—

Derivatives

Tight controls will be applied to derivative transactions by departments.

Accountable Officers

Special provision has been made for independent officers, that is, the Auditor-General and the Ombudsman, to be appointed by inclusion in a Schedule in the Act. The Ombudsman is currently appointed by virtue of executive action of the Treasurer under the Act.

Accountable officers' power to delegate to officers of their departments is extended to officers of other departments. This is to facilitate the operation of corporate service agencies providing services to two or more departments.

Short-form Reporting

A facility is being included for departments to prepare short form annual reports in addition to full annual reports.

Audit

Some of the audit terminology has been updated, as requested by or agreed with the Auditor-General. There is no change to the audit mandate in the Bill.

Payments by Accountable Officers

The Treasurer will have a specific power to levy tax equivalents and dividends on business units—in accordance with agreed arrangements—and borrowing fees on commercial activities generally.

For the accrual output budgets presented to the House, each department will provide full accrual statements, including: an operating statement, a balance sheet showing all assets and liabilities, and a cash flow statement. For the first accrual output budget later this year, it will be the first time that the Estimates Committees have had such comprehensive information. There will be improved accountability and transparency as departments budget and report on their total revenues and expenses, assets and liabilities and cash flows each year, and as the whole-of-Government position is monitored and reported on this basis. These improvements will strengthen even further this State's reputation for exceptional financial management. I commend the Bill to the House.
