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Benefits of the Government Sector Finance Act 2018

At a glance

- Four existing Acts have been consolidated into two primary legislative instruments that govern financial management, reporting and audit.
- Movement to a principle based legislative framework for financial management, rather than having legislation that is inflexible and compliance-orientated.
- Agencies are empowered to improve their control environments, enabling them to be more efficient and productive.
- Greater monitoring and reporting of the outcomes that Government expenditure actually delivers to citizens.
- An ability for Government to tap into a wider range of financial technologies, directly improving the way it transacts with citizens and businesses.

The NSW Government is transforming its financial management framework. It is the most significant change to the model since the 1980s. The *Government Sector Finance Act 2018* (GSF Act) sets out provisions for managing public finances and applies to a range of Government decision makers, including Ministers, agency heads and government officers. The changes promote greater accountability. At the same time, red tape reductions have genuine potential to lift public sector efficiency. Importantly for citizens, the legislation clearly establishes a new level of public transparency.

Modernising an entire outdated framework

Previously four primary legislative instruments that comprised the financial management framework for NSW.¹ These Acts covered a wide range of activities, specified how money could be invested, who could have incurred expenditure, the auditing requirements and how financial activity was publicly reported.

The previous framework no longer reflected, let alone promoted, world class public administration. The NSW Government consolidated and updated the four previous Acts, to create the GSF Act and to rename the *Public Finance and Audit Act 1983* as the *Government Sector Audit Act 1983*, containing audit and Public Accounts Committee provisions.

The GSF Act clarifies the principles and accountabilities inherent to the appropriate management of public finances, which is relevant to all NSW public sector agencies, authorities and officials. Regulations and Treasurer's directions will support the new legislation and promote good financial management across the NSW Government.

The aim of the overall reform was to ensure the legislative framework in NSW is conducive to best practice financial management, not just now but for decades to come and to allow an environment that supports implementation of new and innovative financial products by Government.

Facilitating best financial practice now and into the future

The financial services sector has witnessed major change in recent years, as new technologies have redefined the scope of the services that are available. The previous legislation (the *Public Finance and Audit Act 1983*) restrictively defined the types of banking and financial services firms with which the Government could enter into for whole-of-government contracts. Consequently, the Government was not able to take advantage of the full range of technologies and products in the current marketplace.

The GSF Act overcomes these constraints. It enables the Government to have access to a greater variety of financial services, and permits the Government to engage with a broader range of financial service providers in addition to traditional banking institutions. The intention was to allow the Government to leverage the

¹ *Public Finance and Audit Act 1983, Public Authorities (Financial Arrangements) Act 1987, Annual Reports (Departments) Act 1985, Annual Reports (Statutory Bodies) Act 1984.*

potential of banking capabilities to support the delivery of better services to the citizens of NSW.

Promoting greater flexibility and fostering a more productive government sector

There are well over 100 agencies in New South Wales that make up the Government sector. They range in size, geographic footprint and type of service delivery.

The GSF Act overcomes the inflexible practices of the past by adopting a 'principles based' approach to financial management. The Act focuses less on defining set processes and more on ensuring that agencies are empowered to improve their own internal financial management procedures, including by identifying key accountabilities.

The GSF Act also provides greater opportunity to delegate roles and responsibilities. This promotes appropriate decision making at the right level, for example, by those closer to customer service delivery. The increased delegation of authority will enable senior executives in Government to free up resources to concentrate on issues of greater financial materiality and importance.

Case study – flexibility in approving credit cards

In today's economy, printed cheques and other payment methods have made way for credit cards as an efficient procurement method for low value and low risk purchases. Nonetheless, the *Public Authorities (Financial Arrangements) Act 1987* requires agencies to obtain the Treasurer's approval before issuing a new credit card to staff. This is because credit cards fall within the definition of 'financial accommodation' in that Act, and each incremental card increases the overall credit card limit of the agency. Under the new Act, the Treasurer is granted the option to delegate this approval power (and others) if desired.

Increasing transparency and openness with a focus on performance

The GSF Act not only focuses on sound financial performance, but also on quality service delivery and outcomes for citizens. The legislation requires the Accountable Authority for each GSF agency to keep performance information which will inform resource allocation decisions and ensure that public money is achieving Government outcomes. There are transparency measures built into the GSF Act; making it clear that the responsible Minister and the Treasurer can access this information as part of their decision making process².

The information sharing provisions support another major reform in NSW, the shift to outcomes budgeting. The GSF Act, regulations and Treasurer's directions will promote a consistent form and quality of financial and performance information across the total state sector.

Reducing borrowing costs for the State

Previously, certain entities in the NSW Government have been restricted from depositing money into the centralised banking system due to legislative impediments. This has, in turn, prevented the State from fully optimising the balance sheet and experiencing reduced interest payments and improved debt headroom. The GSF Act removes these metaphorical shackles and allows the Government to make the State's money work for the State.

Need more information?

Email the Legislation team at Legislation@treasury.nsw.gov.au.

² Please refer to s 7.5 and s 8.2 of the Government Sector Finance Act 2018.