

Disclaimer: This is guidance material only and does not replace reading the legislation. For further information refer to the legislation and please check the website for updates and other information.

GSF Act Overview

At a glance

- The **Key reforms** section introduces some of the key areas that will be reformed by the *Government Sector Finance Act 2018*.
- The **Key provisions of the GSF Act** discusses concepts addressed in the new legislation, in the order they appear in the Act. This provides a solid outline for how the Act is structured and what the implications are for the divisions.

Key reforms introduced by the GSF Act

The GSF Act introduces a greater focus on performance, transparency, accountability, and efficiency with respect to financial management in the government sector. The principles in the Act will be supplemented by regulations and Treasurer's directions.

Key reform areas:

- **Information sharing:** The Treasurer is authorised to access information held by agencies that is relevant to resource allocation to facilitate better-informed budget and State financial management decisions. Ministers have a statutory power to seek several different kinds of information from agencies for which they have responsibilities under the Act, and this power can be delegated to another Minister or Departmental Secretary. This right to the information is limited by any other law prohibiting disclosure of information.
- **Performance information:** The Treasurer is authorised to give directions on the kind of performance-related information that is required to be kept by agencies, after first consulting with the Ministers responsible for the affected agencies. This reform supports Outcome Budgeting by minimising gaps in performance data collection and ensures the capture of a consistent type of performance related information.
- **Clusters:** In addition to improved information sharing and availability of performance-related information, the reforms also support the operation of clusters by codifying authority for Ministers to set terms and conditions on the spending from appropriations when delegating the power to expend that money to agencies.
- **Delegations:** The Treasurer, Ministers, Secretaries and Accountable Authorities have wide scope to delegate/subdelegate most of their functions under the GSF Act. There is a statutory power for Ministers to make financial delegations which set terms and conditions on spending. These arrangements provide flexibility for fit-for-purpose, risk-based delegation.

Key provisions of the *Government Sector Finance Act 2018*

Roles and responsibilities

Treasurer: The Treasurer is authorised to give Treasurer's directions on a range of matters related to the GSF Act including financial arrangements and agencies' performance related information, as well as to tailor directions to classes of agencies.

Performance: The Treasurer is authorised to access agencies' performance-related information and to give directions on the kind of performance related information that is required to be kept by agencies. The Treasurer will be required to consult agencies prior to giving directions on performance related information.

Accountable Authorities: The GSF Act sets out the financial management responsibilities and duties of Accountable Authorities. An Accountable Authority will differ depending on the kind of agency concerned.

Budget, appropriations and Special Deposits Account

Budget: The GSF Act carries forward the Treasurer's existing responsibility for the preparation and presentation of the Budget Papers. The Budget Papers are to include, among other things, information about the performance and activities of government entities. The GSF Act also requires the Accountable Authority of a government agency to prepare and provide information for use in the Budget.

Deemed appropriations: The GSF Act provides a mechanism to clarify the legal authority to spend certain funds ('own-source' revenue) from the Consolidated Fund, by appropriating those funds to the responsible Minister when they are received by an agency.

Expenditure, gifts and act of grace payments

Terms and conditions on funding: The GSF Act formalises Ministers' power to make financial delegations which set terms and conditions on spending.

Gifts: The GSF Act provides that gifts of government property cannot be made unless: the property was acquired or produced to use as a gift; or the gift is authorised by the Treasurer in writing; or the gift is made in accordance with Treasurer's directions; or the gift is authorised by or under any law. The Regulations may define the kinds of things that constitute a 'gift' for the purposes of these restrictions.

Act of grace payments: The GSF Act provides Ministers with a statutory power to make act of grace payments. The inclusion of this concept in the GSF Act allows for the delegation of that power. Act of grace payments may be subject to terms and conditions imposed by the Minister.

Financial management

Banking and finances services: The Treasurer is authorised to enter into contracts on behalf of the State for a broader range of banking and financial services and with a broader range of service providers than was previously permitted.

Cash management: The Treasurer is authorised to consolidate a broader range of funds within the State's centralised banking system and into the Consolidated Fund and to move funds within the government sector.

Financial arrangements: The Treasurer has greater flexibility to tailor when and how government entities can enter into borrowings, investments and other financial arrangements.

Reporting

Financial and annual reporting: The GSF Act allows the detail in financial statements to be adjusted so that 'less material' entities can have reduced disclosure requirements. However, agencies will continue to prepare annual financial statements and have those statements audited by the Auditor-General, unless exempted from these requirements by regulations made under the GSF Act. The GSF Act authorises an annual reporting framework whereby annual reports will only be prepared where there are users relying on that information for reasons of public accountability or to make decisions.

Government sector reporting: The GSF Act sets out the requirements for government sector reporting. Under these requirements the Treasurer must prepare total state consolidated financial statements and general government sector financial statements along with monthly statements for the general government sector. The Treasurer's half-yearly review is required to contain updated projections and an explanation of any significant variances from the original budget projections, along with revised forward estimates.

Administration

Information sharing: The GSF Act formalises Ministers' power to seek agency information, with this statutory power able to be delegated to another Minister or Departmental Secretary. The GSF Act also authorises the Treasurer to access agencies' resource allocation information for the purpose of informing budget and State financial management decisions, with this power able to be delegated to another Minister or the Secretary to the Treasury.

Delegations: The Treasurer, other Ministers and Accountable Authorities are authorised to delegate (and authorise subdelegation of) the majority of their responsibilities under the GSF Act.

Enforcement

Sanctions: Serious breaches of the GSF Act will be dealt with through civil recovery arrangements instead of being treated as criminal offences. The operation of the *Crimes Act 1900* is unaffected.

Auditor-General and Public Accounts Committee

Legislative arrangements for the Auditor General and for the Public Accounts Committee will be contained in a separate standalone Act, the *Government Sector Audit Act 1983*, instead of being contained in the new financial management legislation.

Regulations and Treasurer's directions

The GSF Act authorises the making of regulations and Treasurer's directions. Treasurer's directions must be prepared in consultation with those to whom they are intended to apply and must be published.

Need more information?

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