



Government of **Western Australia**  
Department of **Treasury**

# Briefing for Estimates and Financial Operations Committee

**4 August 2021**

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# Outline

- ▶ WA's financial management framework
- ▶ Role of Under Treasurer
- ▶ Outline of Budget process and related legislation



# WA's Financial Management Framework



- ▶ Established by two key pieces of legislation:
  - ▷ *Financial Management Act 2006 (FMA)*
  - ▷ *Government Financial Responsibility Act 2000 (GFRA)*

# WA's Financial Management Framework – FMA

- ▶ The FMA (and associated regulations and Treasurer's instructions) provides for:
  - ▷ agency-level financial controls, accountabilities and annual reporting requirements
  - ▷ administration of the Public Ledger, consisting of:
    - Consolidated Account
    - Treasurer's Advance Account
    - Treasurer's special purpose accounts
  - ▷ Supply and appropriation arrangements
  - ▷ operation of the Public Bank Account (PBA), including investment of moneys in PBA

# WA's Financial Management Framework – GFRA

## ▶ The GFRA provides for:

- ▷ whole-of-government financial reporting requirements, comprising:
  - annual Budget Papers (usually May)
  - Mid-year Review (by 31 December)
  - Annual Report on State Finances (by 28 September)
  - Quarterly Financial Results Reports (60 days of quarter's end)
  - Pre-election Financial Projections Statement



# WA's Financial Management Framework – GFRA Cont.

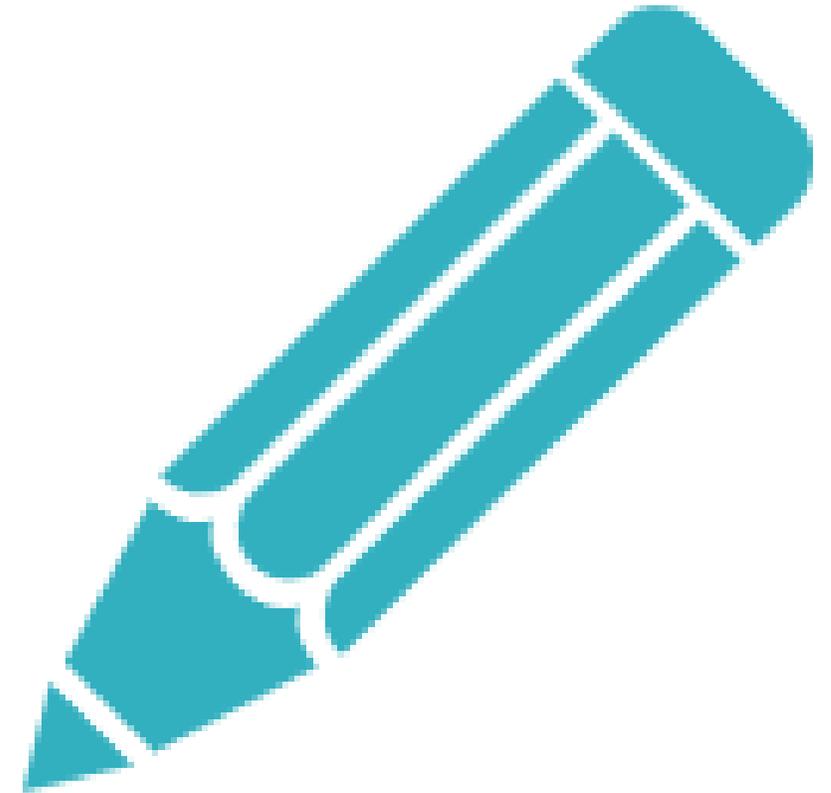
- ▶ The GFRA also requires medium-term Government financial targets, and reporting against targets
- ▶ Current financial targets are to:
  - ▷ maintain a net operating surplus for the general government sector on average over the forward estimates period
  - ▷ maintain disciplined general government expense management through:
    - delivering public sector wage outcomes in line with Government wages policy
    - ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits
  - ▷ maintain or increase net worth of the total public sector

# Role of the Under Treasurer

- ▶ Under the FMA, the UT:
  - ▷ manages and administers the Public Ledger
  - ▷ oversees the operation of the Public Bank Account
  - ▷ has delegated authority to approve Treasurer and agency Special Purpose Accounts
  - ▷ oversees preparation and signing of Governor's Warrants to enable payments from the Consolidated Account
  - ▷ establishes timing and context for Resource Agreements
  - ▷ establishes content and format for Annual Reports
  - ▷ has delegated authority to approve exemptions from Treasurer's instruction requirements

# Role of the Under Treasurer Cont.

- ▶ Under the GFRA, the UT:
  - ▷ oversees (and certifies) the finalisation of the economic and revenue forecasts underpinning the Budget and Mid-year Review estimates
  - ▷ prepares and releases a Pre-election Financial Projections Statement within 10 days of dissolution of Legislative Assembly
  - ▷ may request any required information from public sector agencies for the purposes of the GFRA



# 2021-22 Budget Process – Summary

**Cabinet** approval of 2021-22 Budget process

**Late March 2021**

**Ministers** endorse and submit agency Budget submissions

**23 April 2021**

**ERC** deliberates on Budget submissions (relying on **Treasury** advice)

**May – August 2021**

**Budget Cut-off Date**

**9 August 2021**

**Treasury** works on Budget Paper production

**Aug-Sept 2021**

**Treasurer** releases 2021-22 Budget (**Budget Day**)

**9 Sept 2021**

**Ministers** and agencies participate in estimate hearings

**Late Sept – Oct 2021**

# Budget Process – Treasury's Role

- ▶ Propose timeline for the Budget process each year
- ▶ Help guide and manage agency/Minister expectations
- ▶ Analyse submissions and provide advice/recommendations to ERC
- ▶ Produce economic and financial forecasts and provide regular Budget updates to ERC
  - ▷ based on expenditure decisions to date and movements in key revenue drivers (e.g. iron ore prices, exchange rate, housing market activity, labour market conditions)
  - ▷ informed through industry consultation, in-house modelling, key data releases
- ▶ Coordinate production of Budget Papers
- ▶ Draft the Appropriation Bills and supporting material

# Appropriation Bills

- ▶ Appropriations must specify the purpose and amount to be drawn from the Consolidated Account
- ▶ Two forms of appropriations:
  - ▷ annual appropriations (detailed in the Appropriation Bills in each Budget)
  - ▷ standing appropriations (appropriations authorised by an Act to permanently draw funds from the Consolidated Account – e.g. interest payments authorised by Loan Acts)
- ▶ Annual appropriations:
  - ▷ Appropriation Bills introduced into Parliament on Budget day when the Treasurer reads the Budget Speech
  - ▷ recurrent appropriations – funding for agency service delivery (e.g. hospital services, schools funding)
  - ▷ capital appropriations – funding for asset investment, contributions from owner (the State) and other financing (e.g. funding to establish Special Purpose Accounts)

# Supply Arrangements

- ▶ Appropriations provide the Supply of money
- ▶ Treasury cannot release funds unless Supply is authorised (by passage of the Appropriation Bills)
- ▶ Temporary Supply arrangements are needed if Appropriation Bills not passed by 30 June
  - ▷ Usual for a May Budget to pass the Legislative Council during August
  - ▷ Funds can still be released under automatic Supply arrangements in the FMA (to end-August)
  - ▷ Later Budgets (e.g. 2021-22 Budget) require a Supply Act to extend Supply for a longer period
    - E.g. *Supply Act 2021* (passed in June 2021) provides \$15.1b to cover late passage of the 2021-22 Appropriation Bills (expected to be passed by end-November)

# Treasurer's Advance

- ▶ Authorises funding to be available in excess of approved annual appropriations
- ▶ Without the TA, Treasury cannot release over-budget funding without a new Appropriation Bill
- ▶ Section 29 of the FMA authorises a TA limit of 3% of the previous year's annual appropriations
  - ▷ Above-budget funding can be provided from this limit for unforeseen/unexpected purposes that arise during the Budget year
- ▶ Provides flexibility in managing agency funding needs
- ▶ Treasury unable to release above-budget funding in excess of 3% FMA limit unless a *Treasurer's Advance Authorisation Act* is passed (e.g. 2019-20 and 2020-21 TAA Acts)

# Thanks

**Any questions?**