

# Financial management

## On this page

**Government Sector Finance Act 2018**

**Fiscal Responsibility Act 2012**

**Expenditure Review Committee of Cabinet**

**Annual NSW state budget**

**Appropriations and approved budgets**

**Budget Estimates**

**Report on State Finances**

As a senior executive you need to know the legislation that governs the use of and reporting on spending public money.

It is important you find out what your financial delegation is in your role. There will be internal policies and procedures in place at your agency that you will need to follow.

## Government Sector Finance Act 2018

The **Government Sector Finance Act 2018** (GSF Act) and accompanying **Government Sector Finance Regulation 2018**, provide a framework for:

- the administration for financial management of the NSW government sector
- general government sector and agency reporting
- the keeping and sharing of relevant agency information
- government expenditure
- government appropriations
- financial services for the NSW government sector
- approvals for financial arrangements.

Your agency or department will have internal policies that will govern financial management. It is your responsibility to familiarise yourself with these policies.

## Fiscal Responsibility Act 2012

The finances of NSW are managed in alignment with the objectives, targets and principles set out in the **Fiscal Responsibility Act 2012**.

The Act aims to achieve two fiscal targets:

- keeping annual average expense growth below long-term average revenue growth
- eliminating unfunded superannuation liabilities by 2030.

It is also underpinned by three principles of sound financial management:

- responsible and sustainable spending, taxation and investment
- effective financial and asset management
- intergenerational equity.

## Expenditure Review Committee of Cabinet

The role of the **Expenditure Review Committee of Cabinet (ERC)** is to assist Cabinet and the Treasurer in framing the fiscal strategy and the Budget for Cabinet's consideration, driving expenditure controls and monitoring financial performance, and considering proposals with financial implications brought forward by Ministers.

As a senior executive you may need to prepare submissions to the ERC on behalf of your agency. Your agency should put forward policy proposals for new or additional funding consideration by the ERC as part of the annual budget process and within the context of the whole-of-government prioritisation process.

Your ERC submissions should be prepared in accordance with the template, available on the **Department of Premier and Cabinet website**.

## Annual NSW state budget

Each year, Treasury prepares the NSW Budget. It is a comprehensive document that outlines the economic outlook, the fiscal outlook, new policy measures and the capital program for the coming four years ahead. The Budget contains:

- revised financial projections for the current financial year and an explanation of any significant variation in those revised projections from the original budget projections

- revised forward estimates for major aggregates by sector
- the latest economic projections for the current financial year and an explanation of any significant variation from the projections contained in the Budget Papers
- key financial statements for the State
- information on how funding is linked to the achievement of state priorities.

The current financial year's Budget papers and related information is publicly available on the [NSW Budget website](#). A half-yearly budget review is completed in December each year.

## Appropriations and approved budgets

Each year the Treasurer prepares and tables an Appropriation Bill alongside the Budget.

The objective of this Bill is to authorise Ministers to spend various sums of money, from the Consolidated Fund, required to deliver government services during the financial year. The Minister is allocated these spending authorisation limits for use by agencies within the Cluster and special offices. The amount each agency receives is determined as part of the Budget process, and represents a maximum amount each agency can draw down from the Consolidated Fund.

Your agency's accountability extends to managing its activities within the existing expense limits, by reprioritising activities and using cash balances as a source of funding in the first instance. As a senior executive you are likely to have your own budget, cascaded from your agency budget. It is your responsibility to remain within your budget and follow your agencies budget control limits and financial management policies.

## Budget Estimates

Each year Ministers, agency heads and key senior executives attend [annual Budget Estimates hearings](#) to answer questions about agencies' expenditure, performance and effectiveness.

The Budget Estimates hearings are a key process for government accountability and transparency. It involves detailed questioning on the decisions, actions and advice of ministers and agencies.

As a senior executive you will need to adequately prepare your agency head and relevant Minister to appear before estimates, provide responses to questions on notice and adhere to your internal processes on estimates preparation.

Budget Estimates typically occurs in August every year, with supplementary hearings in October and March the following year, if required. Supplementary hearings may not be applicable for all agencies.

The [Parliament of New South Wales](#) publishes the [Parliament sitting day calendar](#), including dates for Budget Estimates, at the beginning of every year. These key dates may be useful to assist you with forward planning and resource allocation.

Agencies and Ministers may have their own preferred template for Budget Estimates preparation.

Your agency's Ministerial and/or Parliamentary Services team, and relevant Minister's Office/s will be able to provide you with more information regarding estimates preparation, supplementary hearings (if applicable), key dates, and templates.

This is a busy time of year for most executives and is likely to be a key event in your year.

## Report on State Finances

After the completion of the financial year, the Treasurer is required to release a 'Report on State Finances'. This report provides a comprehensive analysis and review of the State's financial performance and position.

The NSW Report on State Finances includes:

- an overview of the financial performance and position of the general government sector and total state sector for the previous financial year
- the audited Consolidated Financial Statements of the general government sector and total state sector for the previous financial year, including a full set of disclosures required by Australian Accounting Standards
- the Outcomes Report on Government Finances for the previous financial year, for the general government sector, public non-financial corporations sector, public financial corporations sector and non-financial public sector.

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### **NSW Treasury documents library**

Documents, budget papers, annual reports and circulars to help you understand key financial policies.

