

## **EXPLANATORY STATEMENT**

Issued by the Authority of the Minister for Finance and Deregulation

### Proclamation of the *Financial Framework Legislation Amendment Act (No. 1) 2007*

Subsection 2 (1) of the *Financial Framework Legislation Amendment Act (No. 1) 2007* (the Act) provides that items 1 to 8 of Schedule 1 to the Act commence on a day to be fixed by Proclamation. However, if any of the provisions of Schedule 1 do not commence within six months of the date the Act receives the Royal Assent, then those provisions commence on the first day after the end of that six month period. The Act received the Royal Assent on 25 September 2007. Subsection 2(1) of the Act also provides that items 10, 13 to 16, 19 and 21 commence at the same time as items 1 to 8.

The purpose of this Proclamation is to fix 1 January 2008 as the day on which the provisions under Items 1 to 8 and consequentially items 10, 13 to 16, 19 and 21 of Schedule 1 of the Act also commence. The provisions under Item 9, Items 11 and 12, Items 17 and 18, Item 20 and Item 22 commenced on Royal Assent which was given on the 25 September 2007. The different commencement dates are explained by the urgent nature of the items that commenced on Royal Assent. Those items primarily relate to machinery of government changes, specifically, transfer of functions (under section 32 of the *Financial Management and Accountability Act 1997* (FMA Act) and the correction of an error (in section 53 of the FMA Act). The items that commence on Proclamation are primarily related to administrative accounting issues and 1 January 2008 is considered administratively appropriate.

The purpose of the Act is to reduce red tape in internal Australian Government administration, simplify the financial management framework, and address issues relating to the management of appropriations.

In particular those items that commence on Proclamation:

- amend section 31 of the FMA Act to remove the requirement for over 80 bilateral net appropriation agreements and to provide instead, for the making of a regulation in relation to departmental appropriations only;
- clarify how sections 28 and 30 of the FMA Act apply to repayments made by or to the Commonwealth, respectively, including their application to transactions between agencies under the FMA Act;
- streamline section 30A of the FMA Act to simplify the application of the Goods and Services Tax (GST) to transactions involving the Commonwealth; and
- insert a new section 32A of the FMA Act to clarify the timing of certain adjustments to appropriations in relation to Special Accounts (under sections 20 or 21 of the FMA Act), repayments to the Commonwealth (section 30 of the FMA Act), recoverable GST (section 30A of the FMA Act) and relevant Agency receipts (section 31 of the FMA Act).

The commencement date for Proclamation allows time for agencies to make appropriate changes to conform with the requirements of the items in the Schedule.

In relation to section 17 of the *Legislative Instruments Act 2003*, no external consultation was necessary. However, matters raised by the Senate Standing Committee for the Scrutiny of Bills were addressed in the Replacement Explanatory Memorandum to the *Financial Framework Legislation Amendment Act (No.1) 2007*.

The proposed Proclamation would be a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.