



Inquiry into Financial Management and Government Procurement Legislative Compliance

Answer to question taken on notice

Asked by: Ms Fiona Carrick MLA

Addressed to: Treasurer

Redirected to: N/A

In relation to: Fitzroy Pavilion project expenditure

Hearing: 22 April 2026

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Answer Due: 06/05/2026

MR CHRIS STEEL MLA took on notice the following question(s):

MS CARRICK: A supplementary on that. If an underspend was used of the current year's appropriation, why was there a need for a rollover?

Mr Austin: Well, again, I am not sure of the details of this project so we can take that on notice and have a look at that. But it may have been that they were cash managing at a point in time and then said, by the time of the financial year we will need the rollover to make up the difference. That may have been what was happening.

Mr Steel: I think this relates to a change in contractor if I recall, but we will provide the detail on those. And actually, it was read out at the time, I think, in the debate in the Legislative Assembly in relation to the establishment of this committee. So there is some background to the matter, but we will provide some further information on notice.

MR CHRIS STEEL MLA: The answer to the Member's question is as follows:

Disbursements are managed within each Directorate's total appropriation available, in accordance with Section 31A of the Financial Management Act 1996. Under accrual accounting, expenses are recognised when they are incurred, rather than when the cash is disbursed. As a result, expenditure may be incurred within one financial year (2023-24), with the cash disbursed in the subsequent financial year (2024-25).

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Section 16B of the *Financial Management Act* (1996) provides for the rollover of an appropriation if, at the end of financial year in which the appropriation is made, the amount is not disbursed to the Territory entity.

It was implemented to support cash management reforms introduced in the 2006-07 Budget that were intended to ensure that cash balances are used more effectively. These reforms were also intended to strengthen the transparency and accountability of cash management through:

- holding agency cash balances to a minimum, with appropriation provided on a “just-in-time” basis; and
- the development of an appropriate cash buffer to be established for each agency to suit operational requirements and working capital needs.

In moving the amendment that introduced Section 16B, the then Chief Minister and Treasurer, Mr Jon Stanhope MLA, noted:

As part of the cash management reforms, cash holdings within departments have been reduced to a level sufficient to meet operational circumstances and working capital requirements. This is known as a “buffer”. As a consequence of these reforms agencies will no longer be able to draw down all remaining appropriation at the end of the financial year. However, should a department not draw down its remaining appropriations by 30 June and not roll funding over through the budget process, then the appropriation lapses under current legislation. This can be a problem in particular for capital works and other significant projects, given the size or complexity of projects and the difficulties with forecasting yearly appropriation requirements. This bill inserts a provision to address the lapsing of appropriation at the end of a financial year where the appropriation is still required in a future year.

The bill amends the Financial Management Act by inserting a provision that allows for appropriations to be preserved from one financial year to the next based on an instrument signed by the Treasurer. Authorisation by instrument will allow rollovers of appropriation on an exception basis, with the merits of each rollover to be assessed individually. Obviously, agencies would need to demonstrate that undrawn appropriations exist in the previous year, and the nexus between the appropriation and a particular project or program.

As noted above Section 16B preserves appropriations between financial years to provide agencies with greater flexibility to implement cash management strategies that deliver financial benefits to the Territory.

Should a 16B instrument not be approved, resources would need to be reprioritised to meet these obligations within the relevant Directorate. Managing this risk falls within the responsibility of Directors-General under Section 31 of the FMA.

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With respect to the Fitzroy Pavillon project, as noted in the section 16B instrument, \$1.067 million was rolled over from 2023-24 to 2024-25 to cover the payment for invoices received in 2024-25, noting the project was physically complete and was expected to be financially complete by June 2025. The underspend from 2023-24 related to payments for work undertaken and being paid for in the next financial year (i.e. 2024-25).

Approved for circulation to the Select Committee on Financial Management and Government Procurement
Legislative Compliance

Signature: 

By the Treasurer, Chris Steel MLA

Date: 3/6/26