The Resource Management Framework – Fact Sheet

The Department of Treasury and Finance (DTF) is pleased to announce the release of the Resource Management Framework (RMF), following a period of consultation with departments.

Departments can provide further feedback on the RMF via email at financial.frameworks@dtf.vic.gov.au. DTF will facilitate discussions with departments upon request.

## What is the RMF?

The new RMF replaces the Budget Operations Framework (BOF) and the Performance Management Framework (PMF), merging the policies and procedures of these documents into a single framework document. The new RMF also includes the Financial Reporting Requirements (Monthly Reporting) and Cash Management sections, currently in the Financial Reporting Operations Framework (FROF).

BOF

PMF

Monthly reporting and cash management sections from FROF

## Why issue the RMF?

The RMF is being issued to communicate a single funding and accountability framework for Victorian Government departments. As part of a broader financial capability uplift strategy, the RMF reinforces the financial management legislative framework as an integrated set of instruments which links the concepts of funding and service delivery through output performance management.

### Link to the Standing Directions

From 1 July 2019 onwards, departments will be required to apply the RMF under the [Standing Directions under the *Financial Management Act 1994*](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Standing-Directions-of-the-Minister-for-Finance-2016/Standing-Directions-2016-publications).

Departments are subject to the compliance requirements set out in the Standing Directions in relation to the RMF. This includes public attestation of compliance in annual reports. See Direction 5.1 for more information.

### Policy changes

The policy changes in the RMF are summarised in the following table:

Table 1: Summary of policy changes in the RMF

| Topic  | Policy change | RMF Section |
| --- | --- | --- |
| Evaluating lapsing programs | * The threshold for program evaluations requiring terms of references to be agreed with DTF before commencement, has been lifted from $5 million to $20 million (refer to 6.1.1 (b)).
* *For programs greater than $20 million* – the Department of Premier and Cabinet (DPC) is no longer required to co‑endorse evaluation scope and terms of references with DTF before an evaluation commences. DPC should still be consulted however in the development of evaluation scope and terms of references where reasonable and practicable (refer to 6.1.1 (b)(i)).
* *For programs greater than $20 million and with funding for two years or more –* the evaluation report is required to be submitted by the last Friday in October in a given year, before a submission (for continued funding) is lodged in the following year’s Budget process (refer to 6.1.1 (b)(ii)).
* *For programs under $20 million –* option to submit an evaluation report or provide other evidence of efficient and effective achievement of program objectives (refer to 6.1.1 (c)).
* When requested by DTF, either:
	+ a draft report (or other review materials) for an evaluation is provided to DTF, or
	+ DTF is provided appropriate opportunities to be involved in any steering committee or other governance arrangement that oversees the direction of an evaluation

(refer to 6.1.1 (d)).* Clarity around independence requirement modified to **not** require evaluations to be done by a party external to the department – footnoted in mandatory requirements and mentioned in guidance (refer to 6.1.1 (e)).
* New guidance has been inserted on the use of program evaluation models to assess program effectiveness, to improve the standard of evaluations (pages 108 - 109).
 | 6.1 |
| Process for the creation of the fourth year estimates in SRIMS | Note in guidance section added to request that departments keep adequate and ongoing records of what asset programs are contained in their purchase of non-financial assets amounts in the forward estimates, including the rollover year (page 111).  | 6.3 |
| Australian Accounting Standard AASB changes[[1]](#footnote-1) | The following sections are impacted: |  |
| * *Section 29 annotated revenue* – new guidance stating that FMA section 29 revenue for asset investment is not to be claimed for payments made in advance (such as those made to agencies) (page 60).
 | 4.1 |
|  | * *Depreciation and depreciation equivalent* – new guidance advising that the interest component on the liability on Service Concession leases up to the point of commercial acceptance will be funded by additional appropriation (to accumulate in each department’s SAU inter-entity account since it is a non-cash expense) (page 85).
 | 4.12 |
|  | * *Capital assets charge* – new note added to advise that Right-of-Use and Service Concession assets are exempt from the Capital assets charge (page 115).
 | 7.1 |
| The Central Banking System (CBS) | The following sections have been updated for references to the CBS for guidance purposes:* Legal and policy framework – Victoria’s appropriation framework – the Public Account (page 17)
* Section 5: Accountability (page 91)
* Section 5.6 Cash Management and reconciliation (pages 101 - 102)

Existing cash flow forecasting requirement (section 5.5.1) clarified to specify that it applies to funds held in the Public Account. |  |

### Updates on other policies

The draft RMF that was previously circulated to departments for comment included a reference to departmental outcomes. As this work is being rescoped, it has not been included in this edition of the RMF.

### Reissue of the Financial Reporting Operations Framework

The FROF has been updated and reissued to reflect the movement of the sections on Monthly Reporting and Cash Management to the RMF. Other policies and guidance contained in the FROF remain unchanged.

### Other changes and enhancements

The RMF introduces the Integrated Management Cycle (IMC), which captures the goal-setting, planning, resource allocation and accountability aspects of the funding framework.

The following enhancements have also been made:

* revisions to some of the mandatory requirements, including the replacement of ‘instructions to departments’ with ‘instructions to the Accountable Officer’ (i.e. the Secretary of the department);
* replacing references to the Minister for Finance with the Assistant Treasurer;
* the DTF Guide to Evaluation’s has now been incorporated into the Evaluation section with a new attachment created;
* graphics to highlight where the reader can find additional information; and
* re-writing and editing of existing guidance (primarily relating to the performance management topics) to improve clarity and readability, and the removal of redundant material.

The content largely reflects existing practices and policies that were contained in the BOF, PMF and FROF, except for the policy changes outlined in Table 1.

A detailed table mapping the changes from the BOF/PMF and other documents to the RMF by section and chapter is set out in Table 2.

## Table 2: Summary of the major changes in the new RMF, effective from 1 July 2019

| New chapter title | Topic | Old document and section No. | Updated RMF section No. | Comments |
| --- | --- | --- | --- | --- |
| Definitions |  | PMF Attachment 1BOF p. 4-6 | Pages 5-8 | Consolidated and expanded to include additional terms. |
| Part A: The Integrated Management Cycle  | Roles and responsibilities | PMF p. 4-5 | Pages 9-11 | New cycle (Integrated Management Cycle) introduced. |
| The legal and policy framework | Legal context for the collection and appropriation of public moneys | BOF p.7 | Pages 12-13  | No significant content changes. |
| Financial management legislation | BOF p. 9-11 | Pages 13-15 | Was formerly called ‘The legislation supporting the State’s resource management framework’. No significant content changes. |
| Victoria’s appropriation framework | BOF p.12-16 | Pages 16-21 | Small modification to include reference to the CBS within the Public Account section. |
| Victoria’s resource management policies | PMF p. 2-3 | Pages 21-23 | Revised and updated with additional guidance material. |
| Accountability for performance | n/a | Pages 23-26 | New explanatory section. |
| Goal-setting and purpose | Specifying departmental objectives and objective indicators | PMF 3.1 and 3.3 | 1.1 | Mandatory requirements updated to reflect current practice. Reviewing outputs and performance measures moved to 1.2. |
| Specifying outputs and performance measures | PMF 3.2 and 3.3 | 1.2 | Mandatory requirements simplified. Reviewing outputs and performance measures moved from 1.1. |
| Review and changes to objectives, outputs and performance measures | PMF 3.3 | n/a | Section removed and mandatory requirements incorporated into ‘Objectives and objective indicators’ and ‘Outputs and performance measures’ sections above. |
| Planning | Long-term planning | PMF 2.3 | 2.1 | No significant content changes. |
| Medium-term planning | PMF 2.2 | 2.2 | Publication date changed from ‘by 31 July’ to ‘on or before 31 August’. |
| Departmental performance statements | PMF 4.2 | 2.3 | Mandatory requirements revised, some moved to guidance. No policy changes. |
| Short-term planning | PMF 2.1 | 2.4 | No significant content change. |
| Resource allocation – funding policies | The State Budget | BOF p. 7-8 | 3.1 | No significant content change, expansion on existing guidance. |
| Funding outputs | PMF 4.1 | 3.2 | Formerly called ‘Departmental Funding Model and output pricing’. All mandatory requirements moved to guidance as they were statements of general principles only. |
| Varying the budgeted output funding mix | PMF 5.1 | 3.3 | Formerly called ‘Changes to the budget output mix’. No significant content changes. |
| Varying the output price | n/a | 3.4 | New section. |
| Funding assets | BOF 3.1 | 3.5 | Additional requirement (3.5.1) on whole-of-life costs of assets. Mandatory requirement on re-ordering of funding for assets programs changed to put net proceeds from asset sales before use of depreciation equivalent (3.5.2). Minor modification to requirement on replacing assets for better clarity (3.5.3). |
| Resource allocation – legal mechanisms | Appropriation of certain revenue and asset proceeds – section 29 of the FMA | BOF 1.1 | 4.1 | Insertion of guidance on revenue recognition due to the accounting standards changes (see Policy changes summary table above). |
| Commonwealth grants – section 10 of the FMA | n/a | 4.2 | New section reflecting existing policies. |
| The Trust Fund and trust accounts | BOF 1.2 | 4.3 | Inclusion of mandatory requirements and guidance on the inter-departmental transfer trust account with corresponding adjustments to the Treasury Trust Fund guidance. |
| Treasurer’s Advance for urgent and unforeseen claims | BOF 1.3 | 4.4 | No significant content changes. |
| Supplementation under section 35 of the FMA | BOF 1.4 | 4.5 | Added Mandatory requirement for discussion of request before letter is sent.  |
| Borrowing against future appropriations – section 28 of the FMA | BOF 1.5 | 4.6 | Added Mandatory requirement for discussion of request before letter is sent.  |
| Transfers between items of departmental appropriation – section 30 of the FMA | BOF 1.6 | 4.7 | Added Mandatory requirement for discussion of request before letter is sent. |
| Carryover of unused appropriation – section 32 of the FMA | BOF 1.7 | 4.8 | Addition of mandatory requirements:* clarifying that only the Treasurer is permitted under the FMA to carry over any unapplied appropriation;
* departments to follow any additional assessment criteria provided by DTF on carryover requests; and
* discussion of any carryover request before a letter is sent.

Guidance inserted to clarify when a warrant is not required with regards to a carryover request. |
| Access to previously appropriated amounts under section 33 of the FMA | BOF 1.8 | 4.9 | Added Mandatory requirement for discussion of request before letter is sent. |
| Public Account advances – section 37 of the FMA | BOF 1.9 | 4.10 | Added Mandatory requirement for discussion of request before letter is sent. |
| Departmental surpluses | 2.1  | 4.11 | Mandatory requirement revised to remove duplication of instructions with section 4.9.  |
| Depreciation and depreciation equivalent | 2.2 | 4.12 | Added note on the funding of interest expense on the liability for Service Concession assets (see Policy changes summary table above). |
| Long service leave and long service leave equivalent | 2.3 | 4.13 | No significant content changes. |
| Accountability | Output performance report | PMF 5.2 | 5.1 | Split from Performance Reporting topic in previous PMF, mandatory requirements remain largely unchanged. |
| Asset investment report | PMF 5.2 | 5.2 | Split from Performance Reporting topic in previous PMF, mandatory requirements remain largely unchanged. |
| Revenue certification | PMF 5.3 | 5.3 | Changes to mandatory requirements for better clarity.  |
| Financial monthly reporting | FROF 1.1 | 5.4 | Moved from the Financial Reporting Operations Framework, minor changes to the mandatory requirements. |
| Cash flow forecasting | FROF 2.1 | 5.5 | Moved from the Financial Reporting Operations Framework. Mandatory requirement on cash flow forecasting (5.5.1) updated to specify that the requirement only applies to funds held in the Public Account. |
| Cash management and reconciliation | FROF 2.2 | 5.6 | Moved from the Financial Reporting Operations Framework. Guidance modified and updated to reference the CBS.  |
| Reporting | PMF 7.1 | n/a | Section removed. |
| Evaluation | Evaluating lapsing programs | PMF 6.1 | 6.1 | Policy changes – see Policy changes summary table above.Editorial changes:* Overview section expanded to incorporate material from the DTF Guide to Evaluation.
* improved clarity in guidance concerning what applies to programs with funding greater than $20 million.
* Inclusion of guidance on program evaluation models.
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| Funding reviews | PMF 6.2 | 6.2 | No changes. |
| Process for the creation of the fourth year estimates in SRIMS (rollover) | BOF 6.2 | 6.3 | Policy changes – see Policy changes summary table above. Additional guidance inserted in table on inclusion of period expenditure. Guidance also slightly modified for better clarity. |
| Part B: and accounting framework supporting Other budget policies and the accounting framework supporting budget management |
| Other budget policies | Capital assets charge | BOF 3.2 | 7.1 | Mandatory requirements simplified and moving of exempt controlled assets requirement to guidance as the nature of the exemptions did not form a mandatory requirement for attestation.Insertion of note in guidance concerning current and future application of CAC on Right of Use and Service Concession assets (these are exempt from the CAC). |
|  | Hypothecation arrangements | BOF 4.1 | 7.2 | Editorial change to move criteria for hypothecation considerations into the mandatory requirement section. Note that the current BOF already requires the criteria to be followed, the editorial changes make the criteria clearer within the Mandatory Requirement box for attestation purposes.  |
| Central contingencies | BOF 4.2 | 7.3 | No significant content changes. |
| Payments on Behalf of the State (POBOS) | n/a | 7.4 | New section reflecting existing policies. |
| The accounting framework supporting budget management | The State Administration Unit (SAU) | BOF 5.1 | 8.1 | No significant content changes. |
| The SAU inter-entity account dissection | BOF 5.2 | 8.2 | Further clarification of guidance. Removal of 5.2.1 (d) (in the BOF) to reduce the level of prescription in the mandatory requirement on the contents of the dissection. SAU dissection guidance moved from attachment to this section. |
| Policy and non-policy journal entries in the State Resource Information Management System (SRIMS) | BOF 6.1 | 8.3 | Additional guidance inserted that introduces SRIMS and the forward estimates. Inclusion of ‘machinery of government changes’ as an example of a non-policy SRIMS journal. |
| Attachments | Further guidance for developing departmental objectives | PMF Attachment 3 | Attachment 1 | No change. |
| Further guidance for developing departmental objective indicators | PMF Attachment 4 | Attachment 2 | No change. |
| Methodology for output costing | PMF Attachment 8 | n/a | Guidance has been removed but available to departments in a separate document upon request. |
| Further guidance for developing outputs | PMF Attachment 5 | Attachment 3 | Guidance has been updated to reflect current practice. |
| Further guidance for developing performance measures | PMF Attachment 6 | Attachment 4 | Guidance has been updated to reflect current practice. |
| Overview of medium-term planning process | PMF Attachment 2 | Attachment 5 | No content changes. |
| Departmental performance statements – performance measure footnote guidance | PMF Attachment 7 | Attachment 6 | Were mandatory requirements, converted to guidance. |
| The Departmental Funding Model | n/a | Attachment 7 | New guidance. |
| Applying the correct appropriation accounts in SRIMS as part of the Departmental Funding Model | n/a | Attachment 8 | New guidance. |
| Depreciation equivalent diagram | BOF Attachment 3 | Attachment 9 | No content changes. |
| Pro-forma journal entries for long service leave (LSL) transactions  | BOF Attachment 4 | Attachment 10 | No content changes. |
| Representation of LSL funding flows | BOF Attachment 5 | Attachment 11 | DEDJTR replaced with DJPR in the example. |
| Template for cash and actuals reconciliation in SRIMS | FROF Attachment 1  | Attachment 12 | No content changes. |
| Planning, designing and conducting effective evaluations | n/a | Attachment 13 | Material moved from the DTF Guide to Evaluation, content revised for editorial consistency. |
| Guidance on lapsing programs evaluations | PMF Attachment 9 | Attachment 14 | Were mandatory requirements for programs less than and greater than $5m, now converted to guidance and combined into one set of guidance with 7 questions. Moving of requirements on report length to main section’s guidance material. |
| The history of the establishment of the SAU | BOF Attachment 2 | Attachment 15 | No content changes. |
| SAU dissection template | BOF Attachment 1 | n/a | Template attachment removed to avoid duplication as departments should now refer to SRIMS for the most current template. Template text explanation has now been moved to the SAU section (8.1). |

1. DTF will continue to work through any further issues that may arise as a result of the AASB changes [↑](#footnote-ref-1)