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Bills Digest

No. 101 2001–02

Appropriation Bill (No. 3) 2001-2002

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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No. 101 2001-02

Appropriation Bill (No. 3) 2001-2002

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13 March 2002

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Appropriation Bill (No. 3) 2001-2002

Date Introduced: 14 February 2002

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Royal Assent

Purpose

To authorise the Minister for Finance to issue \$1 457 690 000 from the Consolidated Revenue Fund (CRF) in addition to funds appropriated by the *Appropriation Act (No.1) 2001-02*.

Background

Annual authorisations for expenditure are contained in:

- *Appropriation Act (No.1)*, which authorises expenditure for the ordinary annual services of government
- *Appropriation Act (No.2)*, which authorises expenditure on capital works and services, payments to the States and other purposes not authorised by special legislation, and
- *Appropriation (Parliamentary Departments) Act* which authorises expenditure for the five parliamentary departments.

However, if the initial appropriation is insufficient for the financial year additional appropriations may be sought. These additional appropriations, known as additional estimates, are extra spending requirements - for example, for cost overruns in existing programs or for new programs - not foreseen when the Budget was presented.

From 1999-2000 the method of tabulating the Budget and additional estimates has differed from previous additional estimates in two main ways. First, the estimates documentation is presented in an outcomes and outputs framework. Previous estimates were based on a

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program approach. Second, the estimates use an accrual budgeting framework. Prior to 1999-2000 budgets used a cash framework.

Accrual budgeting allows for the incorporation of all assets, liabilities, expenses and revenues, including cash receipts and expenditures. Under accrual budgeting, agencies are funded for the full cost of their functions, including non-cash costs such as employee entitlements such as long service leave or depreciation. Thus the amount an agency is appropriated under accrual budgeting in any one year may exceed its cash costs. Any unspent amount is accumulated for use in future years when required - for example accumulated depreciation to replace buildings and equipment.

As noted in the Second Reading Speech to the additional Appropriation Bills, there have also been savings in various items from the Budget appropriations and this must be considered when determining the total effect on government outlays from the additional amounts appropriated. Savings from the initial amount appropriated by Appropriation Acts Nos. 1 and 2 are contained in the Department of Finance and Administration Information Paper titled *Statement of Savings in Annual Appropriations*.

In relation to funding for the 'ordinary annual services of government' contained in *Appropriation Act No. 1 2001-2002* (the Appropriation Act (No. 1)) and this Bill, the Appropriation Act (No. 1) appropriated approximately \$41 425 224 000 while this Bill appropriates an additional \$1 457 690 000. The Second Reading Speech to the Bill states that estimated savings from the Appropriation Acts are \$63 000 000.

Outline of Major Additional Appropriations

Defence –

As stated in the Schedule to the Bill, an additional \$350 051 000 is appropriated for “[T]he defence of Australia and its national interests”. According to the Second Reading Speech for the Bill this amount is to fund additional costs associated with operations relating to the War Against Terrorism and unauthorised boat arrivals and parameter and foreign exchange rate adjustments.

Immigration and Multicultural and Indigenous Affairs

As stated in the Schedule to the Bill, an additional \$166 410 000 is appropriated. This total comprises \$147 956 000 for “Contributing to Australia’s society and its economic advancement through the lawful and orderly entry and stay of people”; \$15 228 000 for “A society which values Australian citizenship, appreciates cultural diversity and enables migrants to participate equitably”; and \$3 226 000 for “[S]ound and well coordinated policies, programmes and decision-making processes in relation to Indigenous affairs and reconciliation.” According to the Second Reading Speech for the Bill, some \$145 000 000 is appropriated to fund the Government’s strategy to deal with unauthorised arrivals.

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Transport and Regional Services

As stated in the Schedule to the Bill, an additional \$144 327 000 is appropriated for “[A] better transport system for Australia and greater recognition and opportunities for local, regional and territory communities.” According to the Second Reading Speech for the Bill “\$144 million in the Transport and Regional Services portfolio is for a number of programmes including:

- measures in response to Ansett’s financial crisis (\$44.4 million);
- the Stronger Regions Programme (\$16.7 million);
- transportation costs for the American Helitankers (Georgia Peach and Incredible Hulk) (\$0.8 million) and a further \$1 million contribution to the Christmas 2001 New South Wales Bushfire Appeal; and
- Rephasing the Mainline Interstate Rail Track Programme (\$37.8 million).”

Treasury

As stated in the Schedule to the Bill, an additional \$141 699 000 is sought for the Treasury portfolio. Of this total, \$122 190 000 million is sought for the Australian Taxation Office. Schedule 1 of the Bill states that the amount is appropriated for “[E]ffectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax system.” According to the Second Reading Speech for the Bill the additional \$122 million is for “... resourcing for the Australian Taxation Office.”

Attorney-General's

As stated in the Schedule to the Bill, an additional \$120 051 000 is sought for the Attorney-General’s portfolio. As stated in the Schedule to the Bill, \$87 664 000 is sought for the Attorney-General’s Department and \$22 636 000 for the Australian Customs Service. In relation to the amount sought by the Attorney-General’s Department, the Schedule to the Bill states that the amount sought is for “[A]n equitable and accessible system of federal law and justice [and] coordinated federal criminal justice, security and emergency management activity.” In relation to the amount sought for the Australian Customs Service, the Schedule to the Bill states that the amount sought is for “[E]ffective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.” According to the Second Reading Speech to the Bill “\$60 million in the Attorney-General’s portfolio [is] for costs associated with the HIH and Building and Construction Industry Royal Commissions.”

As stated in the Second Reading Speech to the Bill, other additional appropriations include:

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- \$15 million for the extension of the First Home Owners Scheme
- \$7.5 million for access to superannuation for permanently departing temporary residents
- \$7.2 million for the First Child Tax Refund
- \$3.0 million for the Fishing Hall of Fame
- \$2.0 million for the Stockman's Hall of Fame, and
- \$1.0 million for the Back of Bourke Exhibition.

Main Provisions

The amount available for an agency's expenditure on Departmental and administered items is specified in the Schedule to the Bill. The total amount specified in the Schedule is \$1 457 690 000 (**clause 6**).

Where an amount is specified in the Schedule for an administered item, the Minister for Finance may issue the lesser of the amount specified in the item and the amount determined by the Minister as expenses incurred by the entity in relation to the item in the year (**clause 8**). In relation to departmental items, the Minister must issue the amount specified:

- where an Act specifies that an entity must be paid amounts appropriated for the purposes of the entity and this Bill specifies an amount, or
- for certain payments of remuneration and allowances (**clause 7**).

The Minister for Finance may increase the amount in a Departmental item/s by determination to a total maximum of \$20 million (**clause 10**), while **clause 11** provides that where there are unforeseen circumstances and the need is urgent, the Minister for Finance may increase expenditure by a total of \$175 million. Parliament must be notified of increased spending under **clauses 10** and **11**.

Clause 14 will formally appropriate the funds for the Bill.

Concluding Comments

While the legal purpose of Appropriation Bills, such as the Appropriation Bill (No. 3) 2001-2002, is a self evident fact, that is, to appropriate money from the Consolidated Revenue Fund, it is not however always easy to ascertain from a reading of such Bills

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what purpose/s and to which program/s within each portfolio funds are to flow. For such detail the reader of the Bill must resort to the Second Reading Speech to the Bill, the Portfolio Additional Estimates Statements (PAES), and transcripts of Senate estimate hearings.

PAES are intended to provide a means by which the executive remains accountable to the Parliament and through the Parliament to the Australian people.

PAES explain Appropriation Bills (Nos 3 & 4) and Appropriations (Parliamentary Departments) Bill (No 2) to Senators and Members. There is a clause in the Appropriation Bills (see **clause 4** of the Appropriation Bill (No. 3) 2001-2002), which requires the PAES to be taken into account when interpreting the items in the Appropriation Acts.

All agencies that propose changes to their outcomes since the Budget must report these changes in a PAES. The reason for this is because appropriations made at Budget time are linked legally to the agreed outcomes at that time, and changing the outcomes will require changes to the Appropriation Bill (ie. a legal action).

Department of Finance and Administration guidelines for PAES specify that PAES should serve as an addendum to Portfolio Budget Statements and should explain changes to Budget estimates that are in the Additional Estimates Appropriation Bills: (http://www.dofa.gov.au/budgetgroup/Other_Guidance_Notes/portfolio_additional_estimates.html).

In addition, PAES should provide sufficient information, explanation and justification to enable Parliament, and through Parliament the Australian public, to understand the purpose of each item in the Bill(s). In effect, PAES should translate the information in the Bills into the related outcomes and outputs:

http://www.dofa.gov.au/budgetgroup/Other_Guidance_Notes/portfolio_additional_estimates.html.

Links to PAES

Department of Defence: <http://www.defence.gov.au/budget/01-02paes/menu.htm>.

Department of Immigration and Multicultural and Indigenous Affairs: <http://www.minister.immi.gov.au/general/paes01.pdf>.

Department of Industry, Tourism and Resources: <http://www.industry.gov.au/department/Budget2001/PAES0102/paes0102.html>.

Treasury: <http://www.budget.gov.au/paes/index.htm>.

Attorney-General's: <http://www.ag.gov.au/publications/budget.htm>.

Department of Foreign Affairs and Trade: http://www.dfat.gov.au/dept/budget/2001_2002_paes/index.html.

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Department of Agriculture, Fisheries and Forestry:

http://www.affa.gov.au/corporate_docs/publications/pdf/about_affa/budget/paes2001_2002.pdf.

Department of Education, Science and Training:

http://www.detya.gov.au/budget/PAES/PAES_2001-2002.pdf.

Department of Industry, Tourism and Resources:

http://www.industry.gov.au/library/content_library/paes0102.pdf.

Department of Family and Community Services:

<http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/budget/budget2001-budget2001.htm>.

Department of Health and Ageing:

<http://www.health.gov.au/budget2001/pubs/budget2001/addition.htm>.

Department of Employment and Workplace Relations:

<http://www.dewrsb.gov.au/department/budget/portfolioadditionalstatements/>.

Department of Communications, Information Technology and the Arts:

<http://www.dcita.gov.au/cgi-bin/graphics.pl?path=6193>.

Department of Environment and Heritage:

<http://www.ea.gov.au/about/budget/2001/paes/index.html>.

Department of Veterans' Affairs:

http://www.dva.gov.au/media/aboutus/budget/paes02/PAES%2001-02-FINAL_bookmarked.pdf.

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