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No. 85 2002–03

Appropriation Bill (No. 3) 2002–2003

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No. 85 2002–03

Appropriation Bill (No. 3) 2002–2003

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Contents

Purpose	1
Background	1
Outline of Major Additional Appropriations.	2
Foreign Affairs and Trade	2
Agriculture, Fisheries and Forestry	2
Defence.	3
Health and Ageing	3
Main Provisions	3
Concluding Comments	4
Links to PAES.	5
Endnotes.	5

Appropriation Bill (No. 3) 2002–2003

Date Introduced: 11 December 2002

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Royal Assent

Purpose

To authorise the Minister for Finance to issue \$1 190 967 000 from the Consolidated Revenue Fund (CRF) in addition to funds appropriated by the *Appropriation Act (No.1) 2002-03*.

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 Expected in Annual Appropriations*.

In relation to funding for the 'ordinary annual services of government' contained in *Appropriation Act No. 1 2002-2003* (the Appropriation Act (No. 1)) and this Bill, the Appropriation Act (No. 1) appropriated approximately \$ 43 445 965 000 while this Bill appropriates an additional \$1 190 967 000. The Second Reading Speech to the Bill states that estimated savings from the Appropriation Acts are \$167 400 000.

Outline of Major Additional Appropriations

Foreign Affairs and Trade

As stated in the Schedule to the Bill, an additional \$406 357 000 is appropriated for the Foreign Affairs and Trade portfolio. The Second Reading Speech explains that \$350 000 000 is 'for rephrasing from 2001-2002 to 2002-2003 Australia's contribution to the 13th replenishment of the International Development Association and Australia's commitment to the Heavily Indebted Poor Countries Initiative'. The Schedule lists an additional \$1 984 000 for the Australian Secret Intelligence Service to 'enhance Government understanding of the overseas environment affecting Australia's vital interests and take appropriate action, consistent with applicable legislation, to protect particular identified interests'.

Agriculture, Fisheries and Forestry

As stated in the Schedule to the Bill, an additional \$245 892 000 is appropriated (against a 2002-2003 budget appropriation of \$450 388 000) for 'more sustainable, competitive and profitable Australian agricultural, food, fisheries and forestry industries'. According to the Second Reading Speech, major elements in this additional funding are:

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- Additional drought measures (\$178.6 million)
- Support for people on drought affected farms in a number of regions in New South Wales and Queensland (\$17.2 million)
- Donation to Farmhand drought appeal (\$5 million), and
- Sugar Industry Reform measures – including income support, interest rate subsidies and assistance in diversification to other agricultural commodities (\$36.5 million).

Defence

As stated in the Schedule to the Bill, an additional \$108 065 000 is appropriated for the Defence portfolio. According to the Second Reading Speech, \$80.4 million of this amount is for ‘indexation adjustments’.

Health and Ageing

As stated in the Schedule to the Bill, an additional \$94 690 000 is appropriated for the Health and Ageing portfolio, including \$53 108 000 for ‘access through Medicare to cost-effective medical services, medicines and acute health care for all Australians’.

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

- \$44.3 million for expected continued growth in New Apprenticeships
- \$19.2 million for support for victims of the Bali disaster and their families
- \$5.9 million for the administration of electoral and ministerial offices
- \$5.2 million to enhance the Budget advisory capacity in the Department of Finance and Administration, and
- \$4.6 million for the Australian Security Intelligence Organisation.

Main Provisions

The amount available for an agency's expenditure on departmental¹ and administered items² is specified in the Schedule to the Bill. The total amount specified in the Schedule is \$1 190 967 000 (**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

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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) 2002-2003, 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 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) 2002-2003), which deems the PAES to be 'relevant documents' that may be considered 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. In addition, PAES should provide sufficient information, explanation and justification to enable

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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.³

Links to PAES

[Foreign Affairs and Trade](#)⁴

[Agriculture, Fisheries and Forestry](#)⁵

[Defence](#)⁶

[Health and Ageing](#)⁷

[Attorney-General's](#)⁸

[Communications, Information Technology and the Arts](#)⁹

[Education, Science and Training](#)¹⁰

[Employment and Workplace Relations](#)¹¹

[Environment and Heritage](#)¹²

[Family and Community Services](#)¹³

[Finance and Administration](#)¹⁴

[Immigration and Multicultural and Indigenous Affairs](#)¹⁵

[Industry, Tourism and Resources](#)¹⁶

[Prime Minister and Cabinet](#)¹⁷

[Transport and Regional Services](#)¹⁸

[Treasury](#)¹⁹

[Veterans' Affairs](#)²⁰

Endnotes

- 1 [The Department of Finance and Administration \(DOFA\) website](#) explains that 'departmental items' are assets, liabilities, revenues and expenses which are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.

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- 2 [The DOFA website](#) explains that ‘administered items’ are expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
- 3 [Portfolio Additional Estimates Arrangements](#)
http://www.dofa.gov.au/budgetgroup/Other_Guidance_Notes/portfolio_additional_estimates.html).
- 4 http://www.dfat.gov.au/dept/budget/2002_2003_paes/2002-2003_PAES.pdf.
- 5 See:
<http://www.affa.gov.au/content/publications.cfm?Category=About%20AFFA&ObjectID=F8314640-88BC-4621-AA77ED0DED885A75>.
- 6 <http://www.defence.gov.au/budget/02-03/index.html>
- 7 <http://www.health.gov.au/pubs/budget2002/additional.htm>
- 8 See:
<http://law.gov.au/www/agdhome.nsf/AllDocs/RWP7CE6C1FD0617F243CA256C9400155980?OpenDocument>.
- 9 http://www.dcita.gov.au/Article/0,,0_1-2_1-3_143-4_112596,00.html.
- 10 <http://www.dest.gov.au/budget/PBS/paes.pdf>.
- 11 See:
<http://www.dewr.gov.au/publications/budget/2002/portfolioAdditionalEstimatesStatements/default.asp>.
- 12 <http://www.ea.gov.au/about/budget/2002/paes/index.html>.
- 13 <http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/budget/budget2002-budget2002.htm>.
- 14 See:
http://www.finance.gov.au/Publications/PortfolioBudgetStatements/portfolio_additional_estimates2.html.
- 15 <http://www.immi.gov.au/budget/budget02.htm>.
- 16 http://www.industry.gov.au/content/controlfiles/display_details.cfm?ObjectID=CBCE5515-1EA0-4635-B4740CAD42EFC377.
- 17 <http://www.dpmc.gov.au/docs/DisplayContents1.cfm?&ID=7>.
- 18 <http://www.dotars.gov.au/dept/budget/paes/0203/index.htm>.
- 19 http://www.budget.gov.au/2002-03/paes/html/tsy_index.html.
- 20 <http://www.dva.gov.au/media/aboutus/budget/paes03/contents.htm>.

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