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Appropriation Bill (No. 4) 2003–04

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Appropriation Bill (No. 4) 2003–04

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Appropriation Bill (No. 4) 2003–04

Date Introduced: 11 February 2004

House: House of Representatives

Portfolio: Department of Finance and Administration

Commencement: On the day when it receives the Royal Assent

Purpose

To appropriate additional sums for other than the ordinary annual services of the Government.

Background

For a more detailed background, see the Digest for the companion Bill: Appropriation Bill (No. 3) 2003-04.

The Bill provides additional funds for other than for the ordinary annual services of the Government. They include:

- administered expenses, and
- non-operating costs.

Administered expenses include:

- grants to the States and Territories (so-called section 96 grants), and
- new administered outcomes.

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.

Non-operating costs—sometimes called 'capital costs'—include:

- 'equity injections', which are provided to agencies to enable investment in new capacity when normal cash flows are insufficient

- 'loans', which are provided to agencies and used when an investment is expected to result in a direct return such as an efficiency saving

- previous years outputs appropriations: these provide funding for outputs that were delivered in a previous year. This can occur, for example, when a decision is made to implement a new activity after the date for inclusion in the additional appropriation Bills. Such activities are funded initially from cash balances, which are then replenished by the previous years outputs appropriation, and

- 'administered assets and liabilities' appropriations: they provide funding for acquiring new assets, extending existing assets, and discharging administered liabilities relating to activities administered by agencies in their fiduciary capacity on behalf of the Government.[1]

The Bill itself provides virtually no detailed information about the purposes for which the additional amounts are sought. However, according to the second reading speech, the following are the main purposes:

- $294.6 million in additional payments to the States and Territories including:
  - $187.7 million as part of the drought assistance package for exceptional circumstances;
  - $36.7 million in funding to enable payments for drug diversion activities for the Tough on Drugs initiative;
  - $10.2 million in rephasings from previous years for the Commonwealth State and Territory Disability Agreement; and
  - $10 million in tax compensation payments to New South Wales and Victoria for an expected increase in revenue for Snowy Hydro Ltd.

- $190.8 million for non-operating expenses including:
  - $47 million in equity injections for the AFP in relation to the PNG deployment, Solomon Islands operations and people trafficking;
  - $43 million in equity injections for the Australian Customs Service which will be accessed if shortfalls occur in a number of initiatives, particularly the Cargo Management Re-engineering project; and

- $32.4 million for payment to the Australian Rail Track Corporation Limited on finalisation of the company's lease of New South Wales main line track.[2]

Further information can be obtained from agency Portfolio Additional Estimates Statements.

Main Provisions

Proposed Part 1 of the Bill contains preliminary provisions. **Clause 3** contains definitions although it does not define 'non-operating' as used in **proposed Schedule 2**.

Proposed Part 2 deals with 'basic appropriations'. These are the amounts payable to different agencies to enable them to undertake the activities described above. **Clause 6** provides a sum of $485.42 million for these purposes. The allocations by agency are set out in Schedule 2.

Proposed Part 2 contains two new clauses: **proposed Clauses 11** and **12**. In his second reading speech, the Parliamentary Secretary to the Minister for Finance and Administration, the Hon. Peter Slipper said:

> Two new clauses have been added to the three additional estimates bills. The new clauses will provide a mechanism for the finance minister, on request from a portfolio minister, to lapse amounts of departmental expense appropriations which are not required. Such amounts may be not required because of an accounting reclassification, efficiency gains resulting in reduced spending or changes in the structure of government.
>
> The first clause provides the lapsing mechanism in respect of the three bills. The second clause provides the same mechanism in respect of the annual appropriation acts agreed to since the 1999 budget.

Clause 11 provides that a Minister—**proposed subsection 11(1)**—or a Chief Executive—**proposed subsection 11(2)**—may request the Minister for Finance to make a written determination which reduces an administered assets and liabilities item or an other departmental item by the amount specified in the determination. Following receipt of such a request, the Minister for Finance can issue such a determination. **Proposed subsection 11(5)** limits the amount of the reduction in two circumstances. First, paragraph 11(5)(a) limits the reduction to the amount in the determination. Second, where payments have already been made from the Consolidated Revenue Fund, paragraph 11(5)(b) limits the actual reduction to the difference between the amount already paid and the reduction sought in the determination. In the absence of this provision, the amount of the reduction would be excessive. **Proposed subsection 11(9)** provides that a determination is a disallowable instrument for the purpose of section 46A of the *Acts Interpretation Act 1901*.

A similar mechanism is proposed in Clause 12. This empowers the Minister for Finance, on receipt of a written request from a Minister—**proposed subsection 12(2)**—or a Chief Executive—**proposed subsection 12(3)**—to reduce, by a written determination, amounts allocated by the Acts set out in **subsection 12(1)**. All these Acts are Appropriation Acts of earlier years.

Proposed Part 3 deals with 'additions to basic appropriations'. The main item is the Advance to the Minister for Finance. **Clause 14** limits this amount to $215 million.

Concluding Comments

Compared with *Appropriation Act (No. 4) 2002–03*, the only significant change in the Bill—other than the amounts appropriated—are Clauses 11 and 12 of Part 2.

The effect of Clause 11 seems to be to make it possible to claw back the amount appropriated under the Bill to the amount likely to be spent. Similarly, Clause 12 seems to be intended to claw back unused departmental appropriations from previous years. The purpose of these clauses is not clear but seems to be a spending control mechanism aimed at preventing agencies from seeking unduly large appropriations for departmental expenses and carrying forward unspent amounts to future years that agencies are unlikely to spend.

Endnotes

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1 Budget Paper No. 4 2003-04, pp. 4–5.

2 House Hansard, 11 February 2004, p. 24256.