



Appropriation Bill (No. 5) 2004-2005

Appropriation Bill (No. 6) 2004-2005

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Law and Bills Digest Section

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Appropriation Bill (No. 5) 2004-2005

Appropriation Bill (No. 6) 2004-2005

Date Introduced: 10 May 2005

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Day of Royal Assent

Purposes

Appropriation Bill (No. 5) 2004–05 appropriates funds for the ordinary annual services of government.

Appropriation Bill (No. 6) 2004–05 appropriates funds for the other annual services of government.

Background¹

Under section 83 of the Constitution, no monies may be withdrawn from the Consolidated Revenue Fund except ‘under an appropriation made by law’. Laws authorising spending are either:

- special appropriations, or
- six (usually) annual appropriation acts.

Special appropriations—which account of about 75 per cent of spending—are Acts that provide money for particular purposes. For example, age pensions, disability support pensions and the Newstart Allowance are paid under the *Social Security (Administration) Act 1999*, while the Family Tax Benefits A and B are paid under *A New Tax System (Family Assistance) (Administration) Act 1999*.

Annual appropriations

There are usually six annual appropriation bills. Three—Appropriation Bill (No. 1), Appropriation Bill (No. 2) and Appropriation (Parliamentary Departments) Bill (No. 1)—are introduced with the Budget. Appropriation Bill (No. 1) appropriates funds for the ordinary annual services of the government while Appropriation Bill (No. 2) appropriates

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funds for other annual services. Appropriation (Parliamentary Departments) Bill (No. 1) appropriates funds for the Parliamentary departments.

Section 53 of the Constitution provides that the Senate may not amend laws appropriating money for the ordinary annual services, while section 54 requires that there be a separate law appropriating funds for the ordinary annual services of the government. That is why there are separate bills for ordinary annual services and for other annual services. There is a separate Bill for the Parliamentary departments because the services they provide are not considered to be either ordinary or other annual services. The distinction between ordinary and other annual services was set out in a 'Compact' between the Senate and the government in 1965 (the Compact was updated to take account of the adoption of accrual budgeting).

The Bills appropriate funds to departmental outputs and administered expenses. Departmental outputs are expenses that agencies control. Examples are salaries and other day-to-day operating expenses. Administered expenses are those that agencies administer on the Government's behalf. The examples of special appropriations above are administered expenses.

Departmental outputs and administered expenses contribute to outcomes. They are the results or consequences for the community that the Government wishes to achieve.

Additional estimates

As noted, there are usually six annual appropriation bills of which three are introduced when the Budget is brought down. However, funding requirements often change after the Budget is brought down. Governments make new policy commitments which have to be funded. Agencies reassess their requirements and, if necessary, submit requests for additional funding. The Government may agree to additional funding if the amounts in the first three Appropriation Acts are inadequate. The process whereby additional funds are provided is called additional estimates and begins around November. The approved additional estimates are normally incorporated into three appropriation bills, which are introduced in the spring sitting of Parliament. They are Appropriation Bill (No. 3) for ordinary annual services, Appropriation Bill (No. 4) for other annual services, and Appropriation (Parliamentary Departments) Bill (No. 2) for the Parliamentary departments.

Supplementary additional estimates

Appropriation Bill (No. 5) 2004–05 and Appropriation Bill (No. 6) 2004–05 are unusual in that they are supplementary to the usual additional estimates bills. However, they are not unusual in that they are, to all intents and purposes, the same as the usual additional estimates bills. Appropriation Bill (No. 5) 2004–05 appropriates additional money for ordinary annual services while Appropriation Bill (No. 6) 2004–05 appropriates money for other annual services.

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The data in the Bills are aggregated. Additional information can be found in Portfolio Supplementary Additional Estimates Statements.

Main Provisions

The amount available for agencies' spending on departmental and administered items is specified in Schedules. The total specified in **schedule 1** of Appropriation Bill (No. 5) is \$291 568 000, while the total specified in **schedule 2** of Appropriation Bill (No. 6) is \$22 709 000. The largest item in Appropriation Bill (No. 5) is \$160 million for transitional grants to compensate eligible entities for lost access to a fringe benefits tax exemption. The largest item in Appropriation Bill (No. 6) is \$17.3 million for the Australian Defence Force deployment to Iraq.

Appropriation Bill (No. 5) 2004–05

Basic appropriations are provided for in **Part 2** of the Bill. **Clauses 7 and 8** provide for appropriations for departmental items and administered items respectively. Specific amounts are outlined in **schedule 1**. After the \$160 million for transitional grants referred to above, the balance of monies appropriated by this Bill (around \$131.6 million) includes:

- \$35.1 million to the New South Wales Legal Aid Commission:
 - this amount is being re-appropriated following reclassification of the payments as a result of a new agreement;
- \$28.2 million for Australian Defence Force deployments to Iraq, including enhancements to armoured vehicles and protective equipment to help safeguard deployees;
- \$23 million to provide for increases in Australia's financial contributions to United Nations peacekeeping operations;
- \$10 million for a one-off grant to the Australia and New Zealand School of Government;
- \$7 million and \$5.7 million for depreciation expenses arising from revaluations of the collections of the National Library of Australia and the National Gallery of Australia respectively;
- \$5.1 million for contributions to sport and recreational organisations and facilities, including the upgrade of Kogarah Oval in Sydney;
- \$5 million towards the cost of fitting out the Brain and Mind Research Institute research centres and laboratories;
- \$5 million for research by the Centre for Medical Bionics and Hearing Services;
- \$464,000 for expenses associated with the recent Werriwa by-election; and

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- \$429,000 for ex-gratia payments in relation to the recent bushfires on the Eyre Peninsula in South Australia.²

Clause 9 deals with ‘reduction of appropriations upon request’. In this context, it is important to distinguish between the processes for departmental appropriations and annual administered appropriations. In short:

- departmental appropriations do not lapse at the end of the financial year. They therefore remain legally valid until spent. The unspent balances of all departmental appropriations remain available across all financial years unless the Finance Minister withdraws drawing rights
- annual administered appropriations are determined by the Finance Minister. If the amount determined is less than the original appropriation, the difference lapses.

This has been explained more fully thus:

The annual appropriations acts are not expressed in terms of a particular financial year and so do not automatically lapse. Amounts appropriated for departmental expenses and for non-operating costs can be subject to a lapsing process first introduced in the additional estimates appropriations bills for 2003-2004. Under this process, on request in writing from a responsible minister for an agency, the Finance Minister may issue a determination to reduce the agency’s departmental expense or non-operating costs appropriation. Requests for amounts to be lapsed may arise, for example, because the appropriation is no longer required. Until the Finance Minister issues a determination under this process, moneys appropriated for departmental expenses and non-operating costs may be issued from the CRF in the budget or later years.

Appropriations for administered expenses are subject to a determination by the Finance Minister on the amounts to be issued. The effect of that determination is to prevent any part of the appropriation that has not been expensed in the year from being issued from the CRF. By convention the Finance Minister issues determinations in relation to administered expenses appropriations following the completion of each financial year.³

Clause 9 gives effect to the intention to lapse unspent departmental expenses.

Appropriation Bill (No. 6) 2003–04

Basic appropriations are provided for in **Part 2** of the Bill. **Clauses 7 and 8** provide for appropriations for departmental items and administered items respectively. Specific amounts are outlined in **schedule 2**. As well as the \$17.3 million for the Australian Defence Force deployment to Iraq referred to above, the Bill also appropriates \$4 million to reimburse the States for the cost of providing medical teams under the AUSASSIST arrangements during the tsunami relief effort.⁴

Clause 11: ‘reduction of appropriations upon request’. This clause is identical in wording to clause 9 in Appropriation Bill (No. 5) 2004–05 except that whereas clause 9 refers to reducing ‘a departmental item’ [sub-clauses 9(1) and 9(2)], clause 11 refers to reducing

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‘an administered assets and liabilities item or an other departmental item’ [sub-clauses 11(1) and 11(2)].

Endnotes

- ¹ This clause is drawn from previous work by Richard Webb, of the Economics, Commerce and Industrial Relations Clause, Parliamentary Library.
- ² Dr. Sharman Stone, Secretary to the Minister for Finance and Administration, ‘Second reading speech: Appropriation Bill (No.5) 2004-2005’, House of Representatives, *Debates*, 10 May 2005, p. 42.
- ³ Agency Resourcing 2004-05, Budget Paper No. 4, p. 5.
- ⁴ Dr. Sharman Stone, Secretary to the Minister for Finance and Administration, ‘Second reading speech: Appropriation Bill (No.6) 2004-2005’, House of Representatives, *Debates*, 10 May 2005, p. 42–3.

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