



## **Ministers of State Amendment Bill 2005**

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## Ministers of State Amendment Bill 2005

**Date Introduced:** 8 December 2005

**House:** House of Representatives

**Portfolio:** Finance and Administration

**Commencement:** Act commences on the date of Royal Assent

### Purpose

To amend the *Ministers of State Act 1952* to increase the limit of the amount payable in any financial year from the Consolidated Revenue Fund from \$2.8 million to \$3.2 million.

### Background

Members of Parliament receive an annual allowance (also referred to as parliamentary base salary) as well as other allowances and benefits. Ministers receive an additional salary by virtue of their position within the Executive.

The *Ministers of State Act 1952* appropriates monies for payment of ministerial salaries and determines the maximum number of ministers of state.

For detailed background information and the current status of Members and Senators allowances and benefits see the following publications:

- Leanne Manthorpe, *Parliamentary Allowances, benefits and salaries of office*, E-Brief, <http://www.aph.gov.au/library/intguide/POL/Parlrem.htm>
- Leanne Manthorpe, The annual allowance for senators and members, Research Note No. 1 2005-06, 1 July 2005, <http://www.aph.gov.au/library/pubs/rn/2005-06/06rn01.pdf>

### Members and Senators Annual Allowance

Section 48 of the Constitution provides for the payment of an allowance to Members and Senators:

Until the Parliament otherwise provides, each senator and each member of the House of Representatives shall receive an allowance of four hundred pounds a year, to be reckoned from the day on which he takes his seat.

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Since 1901, the Parliament has enacted legislation to define the annual allowance for the purposes of Section 48 of the Constitution. The role of the Remuneration Tribunal in this process is to conduct reviews of members and senators allowances at least annually and to provide advice to the Government on the outcome. Schedule 3, section 1(3) of the *Remuneration and Allowances Act 1990* provides that the Governor-General may make regulations in relation to prescribing a percentage of the reference salary (section 2(b)) and the Minister for Employment and Workplace Relations must consider advice from the Remuneration Tribunal about the proposed regulation.

The Research Note entitled *The Annual allowance for senators and members* sets out in detail how the annual allowances for senators and members are calculated.

### **Reference Salary—under the PEO Classification**

Report 1999/01 by the Tribunal recommended that the annual allowance be linked to a reference salary under the Principle Executive Office (PEO) Classification Structure.<sup>(8)</sup> The Government accepted this recommendation and made the Remuneration and Allowances Regulations 2005 to create the link. The Regulations provide for the reference salary to be 100 per cent of the rate determined by the Remuneration Tribunal for Band A of the PEO Classification.

The annual allowance for senators and members is linked to **Reference Salary A** under the PEO Band A Classification—**\$111 150 per annum** from 1 July 2005.

The applicable Remuneration Tribunal Determination is Determination 2005/19, Principal Executive Office (PEO) Classification Structure and Terms and Conditions.<sup>1</sup>

It is the Principal Executive Office Structure rates which have been adjusted in 2005. As the senators and members annual allowance is linked to this structure as described above, any adjustments which occur in the PEO structure flow on to the senators and members annual allowance. Consequently, with the increase to the annual allowance of senators and members (parliamentary base salary) on 1 July 2005, the additional salary of Ministers of State also increased—because Ministers' salaries are expressed as a percentage of the annual allowance.

## **Ministers' of State Salaries**

Section 66 of the Australian Constitution provides for the payment of Ministers of State:

There shall be payable to the Queen, out of the Consolidated Revenue Fund of the Commonwealth, for the salaries of the Ministers of State, an annual sum which, until the Parliament otherwise provides, shall not exceed twelve thousand pounds a year.

“The Remuneration Tribunal is empowered, by ss. 6(1) of the *Remuneration Tribunal Act 1973*, to report on salary for Ministers of State.

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Ministerial salary is expressed as a percentage of the annual allowance (basic parliamentary salary). The Tribunal's *Report Number 1 of 2005 Report on Ministers of State - Salaries Additional to the Basic Parliamentary Salary* confirms the percentage rates that currently apply.”<sup>2</sup> The percentage rates that currently apply can be found in the e-brief at footnote 2.

“The Remuneration Tribunal is required to report to Government annually on the additional salary payable to Ministers. Under the Constitution, the salaries of Ministers are a matter for decision by Executive Government, and do not require legislative action for implementation. The Ministers of State Act 1952, as amended, makes provisions for an annual appropriation which is apportioned in salaries to the Prime Minister, Deputy Prime Minister, Treasurer, Leader of the Government in the Senate, Leader of the House, other Ministers and Parliamentary Secretaries.”<sup>3</sup>

*Report No. 1 of 2005 Report on Ministers of State- Salaries Additional to the Basic Parliamentary Salary* made no change to the percentage of annual allowance for ministers of state. The percentage of annual allowance and the categories of office remained the same as those reported in Report Number 2 of 2004. Report Number 1 of 2004 had made two amendments to the categories of office but no change to the percentage of annual allowance. The amendments included a category *Other Minister in Cabinet who is also Manager of Government Business in the Senate* with the same percentage of salary as the Leader of the House. An amendment was made to the category of *Manager of Government Business in the Senate* to change it to *Parliamentary Secretary who is also Manager of Government Business in the Senate*. There have been no recent changes to the percentage rates.

## Financial implications

### Standing appropriations

This is a special appropriation for ministers' salaries and is administered by the Department of Finance and Administration. In the 2005-06 Portfolio Budget statement for the Department of Finance and Administration, a special appropriation of \$2.753 million has been allocated for ministers' salaries.

## Main Provisions

**Schedule 1, Item 1** amends section 5 of the *Ministers of State Act 1952* to increase the limit in relation to the amount appropriated from the Consolidated Revenue Fund from \$2,800,000 to \$3,200,000.

**Item 2** provides that the amendment to the Act will apply to the financial year commencing on 1 July 2005 and will apply to financial years which follow.

## Concluding Comments

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The increase in the amount of the limit on the appropriation for ministers' salaries in the Act will allow the increases that have occurred in ministers' salaries recently to be met and to allow for possible future increases in accordance with the annual reviews conducted by the Remuneration Tribunal.

## Endnotes

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1. Leanne Manthorpe, The Annual Allowance for Senators and Members, Research Note No. 1 2005-06 <http://www.aph.gov.au/library/pubs/rn/2005-06/06rn01.htm>
2. Leanne Manthorpe, Parliamentary allowances, benefits and salaries of office, E-Brief, <http://www.aph.gov.au/library/intguide/POL/Parlrem.htm>
3. Remuneration Tribunal, Report No.1 of 2005, Report on Ministers of State, <http://www.remtribunal.gov.au/determinationsReports/byYear/2005dets/2005-Report1.rtf>

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