



Appropriation Bill (No. 3) 2006-07

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Economics Section

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Appropriation Bill (No. 3) 2006-07

Date introduced: 8 February 2007

House: House of Representatives

Portfolio: Finance and Administration

Commencement: On Royal Assent

Purpose

To appropriate additional money for the ordinary annual services of the Government.

Background

Section 83 of the Constitution states:

No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.

There are two broad categories of appropriations:

- annual appropriations, and
- special (or standing) appropriations.

There are usually six annual appropriation Bills. They authorise about 25 per cent of annual Commonwealth spending.

Special (or standing) appropriations—the terms are often used interchangeably—authorise about 75 per cent of spending. An example is the *Social Security (Administration) Act 1999* under which age pensions and other social security payments are made.

Annual appropriations

Annual appropriations are usually contained in six Appropriation Acts. The first three are:

- Appropriation Act (No. 1)
- Appropriation Act (No. 2), and
- Appropriation (Parliamentary Departments) Act (No. 1).

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The Bills for the first three Acts are introduced at the same time as the Budget. The Acts authorise the payment of specified amounts for particular purposes. Appropriation Act (No. 1) provides for the appropriation of money from the Consolidated Revenue Fund for the ordinary annual services of government. Appropriation Act (No. 2) provides for the appropriation of money from the Consolidated Revenue Fund for purposes other than the ordinary services of government.

The Senate's powers and 'money' bills

Section 53 of the Constitution states:

Proposed laws appropriating revenue or moneys, or imposing taxation, shall not originate in the Senate. But a proposed law shall not be taken to appropriate revenue or moneys, or to impose taxation, by reason only of its containing provisions for the imposition or appropriation of fines or other pecuniary penalties, or for the demand or payment or appropriation of fees for licences, or fees for services under the proposed law.

The Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the *ordinary annual services of the Government*.

The Senate may not amend any proposed law so as to increase any proposed charge or burden on the people.

The Senate may at any stage return to the House of Representatives any proposed law which the Senate may not amend, requesting, by message, the omission or amendment of any items or provisions therein. And the House of Representatives may, if it thinks fit, make any of such omissions or amendments, with or without modifications.

Except as provided in this section, the Senate shall have equal power with the House of Representatives in respect of all proposed laws. [Emphasis added]

As this Bill is concerned with the ordinary annual services of the government, it may not be amended by the Senate.

Additional estimates

Funding requirements usually change after the Budget is brought down. The government may agree to additional funding if the amounts in the three Budget Appropriation Acts are inadequate and so has to seek parliamentary approval for additional spending. The process whereby additional funds are provided is called 'additional estimates' and begins around November of the Budget year. The approved additional estimates are incorporated into Appropriation Bills 3 and 4 and Appropriation (Parliamentary Departments) Bill No. 2.

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These Bills are the counterparts of Appropriation Bills No. 1 and 2 and Appropriation (Parliamentary Departments) Bill No. 1 respectively.

Portfolio Additional Estimates Statements are the additional estimates counterparts of Portfolio Budget Statements and contain explanations of Appropriation Bills 3 and 4 and Appropriations (Parliamentary Departments) Bill No. 2.

Departmental and administered expenses

Expenses are classified as either departmental or administered. Departmental expenses are the resources that agencies control and use to produce outputs. In essence, departmental expenses are the cost of running agencies. Examples of departmental expenses are salaries, other employee entitlements, and the use of equipment. Departmental expenses are appropriated as a single amount for each agency.

Administered expenses are spending that agencies manage on the government's behalf. Examples of administered expenses are subsidies, grants and benefit payments, and the financial assistance grants the Commonwealth makes to local governments.

Advance to the Finance Minister

The Advance to the Finance Minister (AFM) provides flexibility in that it allows the spending of funds for unforeseen contingencies. The AFM is a provision authorised by the annual Appropriation Acts and made available to the Finance Minister as a central contingency fund to provide urgent funding to agencies throughout the financial year. Examples of the AFM provision are found in section 12 of *Appropriation Act (No. 1) 2005-2006* and section 13 of *Appropriation Act (No. 2) 2005-2006*.

AFM funding is available only if agencies meet two tests:

- the need for funding must be urgent, and
- the need was unforeseen or arose because of erroneous omission or understatement.

Net appropriations

Net appropriations are appropriations made pursuant to section 31 of the *Financial Management and Accountability Act 1997*. A section 31 agreement is a way of increasing an existing appropriation by an amount equal to an agency's specified receipts. For example, if an agency receives money from the sale of services, a section 31 agreement allows the agency's appropriation to be increased by the amount of the receipts. But not all receipts can be used to increase an agency's appropriation. To be treated as a net appropriation, certain conditions must be met. They are:

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- there must be an appropriation item in an annual Appropriation Act, for example, Appropriation Act No. 3
- an annual Appropriation Act must mark the relevant item ‘net appropriation’, and note that it is taken to be increased in accordance with the section 31 agreement
- a section 31 agreement must be effectively executed
- the agreement must apply to the appropriation item, and
- the receipt must be covered by the agreement.

Major items of expenditure

In December 2006, the Government released the Mid-Year Economic and Fiscal Outlook 2006-07 (MYEFO). This contained a list of expense measures taken since the 2006-07 Budget until the time the MYEFO was released. Some of the items mentioned in the minister’s second reading speech are listed in the MYEFO. Where possible, information in the MYEFO that pertains to the items is listed below. Note that the costings in the MYEFO may differ from the amounts in the Bill.

Department of Agriculture, Fisheries and Forestry

According to the minister’s second reading speech, the Bill appropriates:

- \$12 million for exceptional circumstances assistance
- \$14 million to support primary producers in regions eligible for interim income support
- \$17.3 million for grants of up to \$5 500 for eligible farmers, in areas that have been exceptional circumstances declared for more than three years, to obtain professional business and planning advice, and
- \$30.9 million to assist tobacco growers to move into other businesses.

The MYEFO at page 85 states:

The Government will provide an additional \$867.9 million over four years (including \$1.7 million in 2005-06) to support primary producers in regions that have been declared eligible for Exceptional Circumstances assistance.

Farmers who have not experienced a break in drought over the past 18 months can have Exceptional Circumstances drought declarations extended to the end of their next production cycle. Such extensions are considered following the receipt of information and advice from the National Rural Advisory Council and the Department of Agriculture, Fisheries and Forestry Drought Taskforce.

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Exceptional Circumstances assistance comprises interest rate subsidies and income support to assist viable farm businesses and farm families who have been adversely affected by exceptional climatic events, such as drought. Eligible recipients are also provided with a health care concession card and access to Youth Allowance.

Further information can be found in the press release of 16 October 2006 issued by the Prime Minister.

The MYEFO (at page 88) states:

The Government will provide \$42.0 million in 2006-07 to assist former and current tobacco growers to move into other business activities. Grants will be capped at \$150,000 per grower.

This measure includes funding of \$0.6 million for the Department of Agriculture, Fisheries and Forestry and \$0.5 million for Centrelink for programme implementation and delivery.

Further information can be found in the press release of 26 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

Australian Federal Police

According to the minister's second reading speech, the Bill provides the Australian Federal Police with:

- \$30.2 million for deployments to East Timor, and
- \$11.6 million for capacity-building overseas.

The MYEFO states (page 92):

The Government will provide \$493.2 million over five years (including \$148.6 million in 2010-11) to increase the capacity of the Australian Federal Police to respond to peace-keeping, peace restoration and capacity-building requirements overseas. This increased capacity will allow the Australian Federal Police to respond more quickly and comprehensively to international crisis situations and will help strengthen law enforcement capabilities across the region.

This measure includes \$30.4 million in capital funding for infrastructure and equipment.

Further information can be found in the press release of 25 August 2006 issued by the Prime Minister.

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Department of Communications, Information Technology and the Arts

According to the minister's second reading speech, the Bill provides:

- \$34.9 million for the Protecting Australian Families Online program including
 - \$23.4 million for a National Filter Scheme, and
 - \$11.4 million for a community education campaign.

The MYEFO states (page 99):

The Government will provide \$93.3 million over three years to establish a National Filter Scheme ('the Scheme') to provide a free Internet filter, or filtered Internet service, for all Australian families and public libraries. The Australian Communications and Media Authority will test and accredit a selection of filters for use.

The Scheme will be administered by the Department of Communications, Information Technology and the Arts with the support of NetAlert, the Government's Internet advisory body.

See also the related expense measures titled *Protecting Australian Families Online-structure of NetAlert*, and *Protecting Australian Families Online-consumer information campaign* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Communications, Information Technology and the Arts.

Department of Defence

According to the minister's second reading speech, the Bill provides:

- \$120.8 million for Operation ASTUTE to restore peace and stability in East Timor
- \$49.6 million for the first stage of a program to improve the retention and recruitment of Australian Defence Force personnel, and
- \$32 million to deliver stage 1 of the Enhanced Land Force initiative, to increase the size of the Australian Army by one light infantry battalion.

The MYEFO states (pages 101 and 102):

Australian Army-additional infantry battalion

The Government will provide \$4.1 billion over eleven years from 2006-07 (including \$2.7 billion over seven years from 2010-11) to increase the size of the Australian Army by one light infantry battalion, implementing Stage 1 of the Enhanced Land Force. This involves the acquisition of additional equipment including Infantry

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Mobility Vehicles, and an increase in military and civilian personnel and provides for Australian Defence Force support elements. This measure includes \$724.5 million in capital funding over five years from 2007-08 (including \$314.9 million over two years from 2010-11) to develop facilities at Defence bases.

The additional personnel and operating costs for the new equipment required have yet to be finalised, but are expected to be comparatively minor. Provision for these costs, and for a second additional battalion planned for the Enhanced Land Force, has been included in the Contingency Reserve.

Further information can be found in the press releases of 24 August 2006 issued by the Prime Minister and of 7 December 2006 issued by the Minister for Defence.

Australian Defence Force retention and recruitment-new initiatives

The Government will provide \$1.0 billion over 11 years from 2006-07 (including \$688.8 million over seven years from 2010-11) to help improve the retention and recruitment of Australian Defence Force (ADF) personnel. This funding includes \$226.4 million for retention bonuses and allowances, \$371.1 million to reform ADF recruiting, \$306.4 million for a new military 'gap year' scheme for recent high school leavers, and \$112.5 million for Navy Seagoing and Submarine Service (Disability) allowances.

These initiatives will assist the ADF to increase the number of people who want to join and remain in the military, streamline the recruitment process, and create more pathways to ADF career opportunities.

Further information can be found in the press release of 15 December 2006 issued by the Prime Minister.

East Timor-funding to help restore peace and stability

The Government will provide \$184.5 million over three years (including \$18.6 million in 2005-06 and \$37.7 million in capital funding) for the Australian Defence Force's contribution to restoring peace and stability in East Timor as part of Operation ASTUTE.

Further information can be found in the press release of 26 May 2006 issued by the Department of Defence.

Department of Education, Science and Training

According to the minister's second reading speech, the Bill provides:

- \$53.6 million for Skills for the Future
 - \$15 million will be used to promote the career options available under the initiative

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- \$38.6 million will support people aged 25 years and over to undertake accredited literacy/numeracy, basic education and certificate level II courses by means of a voucher system valued at up to \$3,000 each
- \$14.1 million for the National School Chaplaincy Program, and
- \$17.1 million for the Office of Workplace Services to support an increase in its compliance and enforcement activities in regional areas.

The MYEFO states (pages 108 to 111 and 117):

National School Chaplaincy programme

The Government will provide \$107.5 million over four years to assist government and non-government schools that want to provide chaplaincy services for their school community.

Commencing in 2007 up to \$30.0 million will be provided annually for three years under the National School Chaplaincy Programme to provide grants of up to \$20,000 a year directly to eligible schools. Funding will contribute to the cost of engaging chaplains. School communities will also be expected to contribute funding and support for chaplaincy programmes at their school.

Further information can be found in the press release of 29 October 2006 issued by the Prime Minister.

Skills for the Future-advertising campaign

The Government will provide \$18.0 million in 2006-07 to promote the career options available under the *Skills for the Future* initiative announced by the Prime Minister on 12 October 2006. \$3.0 million of the cost of this measure will be met from within the existing resourcing of the Department of Education, Science and Training.

The *Skills for the Future* initiative provides \$837.0 million over five years to develop a more skilled and dynamic workforce with an increased focus on continuous upgrading of skills over the course of an individual's working life.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

Skills for the Future-business skills vouchers for apprentices

The Government will provide \$12.3 million over five years including \$4.0 million in 2010-11 to encourage apprentices to acquire additional business management skills.

From 1 January 2007, 6,300 vouchers valued at up to \$500 will be available to apprentices each year to contribute towards the costs of accredited small business skills training. Apprentices who are undertaking an apprenticeship in a traditional

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trade will be eligible to apply for the voucher any time from the end of their second year until two years after completion of their course.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

Skills for the Future-incentives for higher technical skills

The Government will provide \$54.4 million over five years including \$21.9 million in 2010-11 to extend and increase employer incentives for up to 24,800 employees over five years to undertake Diploma and Advanced Diploma level qualifications in certain occupations.

From 1 January 2007, employers will receive incentive payments of \$1,500 for each employee commencing a Diploma or Advanced Diploma programme and \$2,500 when they complete employment or institutional based training. The Government will also remove the rule which prevents workers with prior qualifications at Certificate III and IV level receiving benefits; open the programme to an employer's existing workforce; and in consultation with industry, increase the range of eligible higher level qualifications in engineering.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

Skills for the Future-more engineering places at university

The Government will provide \$56.0 million over four years including \$19.9 million in 2010-11 to fund an extra 500 Commonwealth supported university engineering places from 2008.

Amounts loaned under the Higher Education Loans Programme (HELP) for students taking up these places are treated as financial assets and therefore do not impact on the fiscal balance. Payments by students of the indexation component of their HELP loan are treated as interest revenue. These payments will affect the fiscal balance from 2008-09. The additional public debt interest incurred by the Australian Government in financing the loans is separately accounted for in the Mid-Year Economic and Fiscal Outlook.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

Skills for the Future-support for mid-career apprentices

The Government will provide \$306.6 million over five years including \$105.1 million in 2010-11 to support mid-career workers to overcome wage related disincentives to the take up of traditional trade apprenticeships.

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From 1 July 2007, incentives will be available each year for up to 10,000 people aged 30 or over who are starting an apprenticeship at the Certificate III or IV level in an occupation in high demand. The incentive payable by the Government will be \$150 a week in the first year and \$100 a week in the second year. The incentive will be paid to the employer where industrial arrangements require the employer to maintain the existing wage, or pay an adult apprenticeship wage for an existing worker who becomes an apprentice. Where such industrial arrangements are not in place the new mid-career incentive will be paid directly to the apprentice to boost their income.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

Skills for the Future-work skills vouchers

The Government will provide \$407.6 million over five years (including \$96.3 million in 2010-11) to support people aged 25 years and over to gain year 12 or equivalent qualifications.

From 1 January 2007, 30,000 vouchers valued at up to \$3,000 will be available to this group each year to assist them to undertake accredited literacy/numeracy, basic education and Certificate level II courses. Vouchers will be allocated in priority order to unskilled workers wishing to acquire qualifications; income support recipients returning to the work force; unemployed jobseekers receiving income support and participating in the Job Network who are undertaking active job search; and people not in the work force intending to seek work after achieving their qualification.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

Office of Workplace Services

The Government will provide \$20.5 million over four years to raise public awareness of the services provided by the Office of Workplace Services and the Office of the Employment Advocate. The education and awareness campaign includes newspaper and radio advertising.

The aim of the campaign is to educate employees and employers to direct workplace complaints to the Office of Workplace Services and employers and employees to approach the Office of the Employment Advocate for information and clarification on agreement making.

Department of the Environment and Water Resources

According to the minister's second reading speech, the Department will receive additional funding of \$84 million for the Great Barrier Reef Marine Park Structural Adjustment Package. The Bill only appropriates a little under \$60 million – the difference appears to

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come from 'savings in other programs'. No detail is given about how these 'savings' have been achieved.

The MYEFO at pages 118 and 119 states:

The Government will provide \$27.4 million in 2006-07 to enhance the Great Barrier Reef structural adjustment package announced in the 2004-05 Budget. The package is designed to assist eligible commercial fishers and other businesses adversely affected by the implementation of the Representative Areas Programme for the Great Barrier Reef, which came into effect on 1 July 2004.

Enhancements include changes to ensure that assistance covers the approved full cost of restructuring a business, a further 20 per cent increase in payments for approved applications for business restructuring assistance, extending the provision of financial and relationship counsellors to the region for a further twelve months, and measures to expedite the assessment of applications.

This funding is in addition to the \$143.4 million already provided, bringing the Government's total contribution to \$170.8 million over three years.

Further information can be found in the press release of 26 May 2006 issued by the Minister for the Environment and Heritage.

Department of Families, Community Services and Indigenous Affairs

According to the minister's second reading speech, the Bill provides:

- \$20.7 million for the Jobs, Education and Training Child Care fee assistance program to provide child care to an additional 3,500 recipients in 2006-07, and
- \$10 million to assist 4,700 volunteer organisations purchase equipment.

The MYEFO at pages 124 and 125 states:

The Government will provide an additional \$20.7 million in 2006-07 to the Jobs, Education and Training (JET) Child Care fee assistance programme.

JET Child Care fee assistance provides parents undertaking eligible study or training courses, with additional child care assistance by paying most of the 'gap fee' (the difference between the fee charged by the child care service and the maximum rate of Child Care Benefit). Assistance may be approved for up to 26 weeks for parents undertaking paid or unpaid work, up to 20 days for Job Search and up to 12 months for education and training.

This measure will provide affordable child care to an additional 3,500 recipients in 2006-07 and builds on the measure '*Child Care - Jobs, Education and Training (JET) Child Care fee assistance - continue and extend*' in the 2006-07 Budget, which provided additional funding of \$15.4 million over two years to the JET programme.

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Department of Finance and Administration

According to the minister's second reading speech, the Bill provides an additional \$22.9 million for senators and members with additional resources, and one additional electorate officer to each member of the House and the Senate.

The MYEFO (at page 127) states:

The Government will provide \$52.9 million over four years to provide Senators and Members with additional resources to represent their constituents effectively, and undertake Parliamentary and official business efficiently. The package includes changes to printing entitlements, travel allowance, relief staff entitlements and electorate office entitlements.

The measure includes \$4.4 million in capital funding for electorate and ministerial office fit out.

Department of Foreign Affairs and Trade

According to the minister's second reading speech, the Bill provides \$30.4 million to the Department of Foreign Affairs and Trade to reimburse it for the expenses incurred evacuating Australian citizens and their immediate dependants from Lebanon.

The MYEFO (at page 129) states:

The Government will provide \$16.5 million for humanitarian relief and \$7.5 million for reconstruction efforts in Lebanon. The funding will be provided through the United Nations Children's Fund, the World Health Organisation and other aid agencies. The cost of these activities will be met fully from within AusAID's existing resources.

The Government also evacuated Australian citizens, permanent residents and their immediate families from Lebanon. The cost of the evacuation, net of recoveries from evacuees, has yet to be finalised. Provision for this measure has been included in the Contingency Reserve.

Further information can be found in the press releases of 22 July 2006 and 24 October 2006 issued by the Minister for Foreign Affairs.

Department of Health and Ageing

According to the minister's second reading speech, the Bill provides:

- \$15 million to fund an additional 40 applications for e-Health broadband infrastructure grants, and
- \$49.8 million for a range of programs which had unspent appropriation in 2005-06.

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Department of Human Services

According to the minister's second reading speech, the Bill provides:

- \$11.6 million to enable patients to claim a Medicare rebate electronically at their doctor's surgery via the EFTPOS network, and
- \$36.7 million to centralise project management and procurement activities for the Health and Social Services Access Card project.

The MYEFO (at page 151) states:

The Government will provide \$133.4 million over four years to enable patients to electronically claim a Medicare rebate at their doctor's surgery via the EFTPOS network.

This will allow patients with out-of-pocket costs (patients who are not bulk-billed) to pay for a doctor's visit and receive their rebate directly into their bank account. Medical Practitioners will also benefit from more timely payment of bulk-billed claims, with payment occurring on the next business day.

The new claiming system is expected to be available in the second half of 2007. This streamlined method of claiming is expected to lead to lower administration costs for Medicare Australia of \$137.4 million over four years.

Capital funding of \$1.9 million has also been provided for the development of information technology requirements.

Further information can be found in the press release of 13 August 2006 issued by the Prime Minister.

Department of Immigration and Citizenship

According to the minister's second reading speech, the Bill provides:

- an increase of \$14.6 million to introduce a formal citizenship test, and
- \$13.7 million for workload increases flowing from an increase in case volume and case complexity in several visa categories.

Department of Industry, Tourism and Resources

According to the minister's second reading speech, the Bill provides:

- an additional \$136.1 million for rebates to encourage the use of liquefied petroleum gas, and

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- an additional \$10 million for the Cyclone Larry business assistance fund, which had unspent appropriation from 2005-06.

The MYEFO (at page 156) states:

The Government will provide \$10.3 million over two years from 2005-06 to businesses that have been adversely affected by the cumulative effects of Tropical Cyclones Larry and Monica on Cape York.

The Government is providing one-off, tax-free grants of \$10,000 to businesses in the affected area. Businesses that can demonstrate significant losses may also be eligible for an additional grant of \$15,000. The grants will assist business recovery, through funding activities such as re-stocking, re-planting, re-establishment and clean-up.

Further information can be found in the press releases of 26 May 2006 and 7 July 2006 issued by the Prime Minister.

The MYEFO (at page 158) states:

The Government will provide \$835.9 million over nine years, including \$376.5 million from 2010-11 to 2014-15, to encourage consumers to purchase new Liquefied Petroleum Gas (LPG) vehicles and convert existing vehicles to use LPG.

Individuals who purchase a new factory-fitted LPG powered vehicle for private use will receive a rebate of \$1000 under the programme. Individuals who convert their car to LPG for private use will receive a rebate of \$2000.

This measure will also result in forgone excise revenue, as LPG is concessionally taxed compared to conventional petroleum fuels.

Further information can be found in the Prime Minister's Statement to Parliament on Energy Initiatives of 14 August 2006.

Department of Transport and Regional Services

According to the minister's second reading speech, the Bill provides a further \$13.1 million to the Department of Transport and Regional Services to meet net funding requirements of administering and providing services to the territories.

Australian Taxation Office

According to the minister's second reading speech, the Bill provides an additional \$47.5 million to the Australian Taxation Office to deliver the Simplified Superannuation reforms.

According to the MYEFO (at page 80 and 81):

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The Government will provide \$7.2 billion over four years to implement Simplified Superannuation, as announced on 5 September 2006. Provision towards these costs of \$6.2 billion over four years was made in the 2006-07 Budget.

Simplified Superannuation comprises a suite of reforms that sweep away the current raft of complex tax arrangements and restrictions that apply to superannuation, increase retirement incomes and boost the incentives to work and save.

The Simplified Superannuation arrangements will abolish superannuation benefits tax for Australians aged 60 and over who have already paid tax on their superannuation contributions and earnings. Other key elements include:

- Abolishing reasonable benefit limits and age based contribution limits.
- Making the pension assets test fairer by halving the taper rate to \$1.50 per fortnight for every \$1,000 of assets above the assets test free area. Retirees will keep more of their age pension when they exceed the assets test free area.
- Providing individuals with greater flexibility as to how and when they draw on their superannuation in retirement. Retirees will no longer be required to take their benefits when they reach a particular age.
- Allowing the self-employed to claim a full deduction for their superannuation contributions and be eligible for the Government co-contribution for their after tax contributions. These measures will provide a significant boost to the incentives for the self employed to contribute to superannuation.
- Increasing the upper age limit to make deductible superannuation contributions from 70 to 75.
- Making it easier for people to find lost superannuation and transfer their benefits between funds.

Simplified Superannuation reflects the final policy decisions following the Governments extensive consultation on *A Plan to Simplify and Streamline Superannuation*, which was released with the 2006-07 Budget.

The measure includes \$3.3 billion over four years in administered and departmental expenses. This comprises the cost of higher age and service pension payments (\$2.4 billion over four years), agency funding to implement and administer the new arrangements (\$426.6 million over four years), the extension of the Government co-contribution to the self-employed (\$340.0 million over four years), consequential additional health and aged care funding resulting from the change to the assets test (\$40.6 million over four years) and capital funding of \$52.6 million for information technology costs.

Further information is contained in the joint press release of 5 September 2006 issued by the Treasurer and the Minister for Revenue and Assistant Treasurer.

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Financial implications

The Bill provides for expenditure of almost \$1.119 billion.

Statement of savings

The minister also introduced the ‘Statement of Savings Expected in Annual Appropriations made by Act No. 66 of 2006 – *Appropriation Act (No. 1) 2006-07* Act No. 67 of 2006 – *Appropriation Act (No. 2) 2006-07*’. The Statement shows savings of almost \$398 million under *Appropriation Act (No. 1) 2006-07* and of almost \$67 million under *Appropriation Act (No. 2) 2006-07*. The data in the Statement are aggregated so readers will have to consult the [Portfolios Additional Estimates Statements](#) for each agency for more detail.

Main provisions

The provisions in the Bill are virtually identical with those of *Appropriation Act (No. 3) 2005-06*. Two noteworthy changes are:

- in **clause 3** (‘definitions’), the definition of Portfolio Supplementary Estimates Statements has been dropped. In the 2005-06 Act, this definition was:

Portfolio Supplementary Estimates Statements means the Portfolio Supplementary Estimates Statements that are tabled in the Senate or the House of Representatives in relation to the Bill for the *Appropriation (Regional Telecommunications Services) Act 2005-06*.

 - this definition has been dropped in the Bill because it is no longer required. Section 3 of the 2005-06 Act included the definition because the Government introduced as a supplementary estimate the *Appropriation (Regional Telecommunications Services) Act 2005-06*.
- **Clause 10** deals with net appropriations. **Subclauses 10(1)** and **10(2)** authorise increased appropriations for departmental items subject to section 31 agreements. But whereas *Appropriation Act (No. 3) 2005-06* had a similar provision for administered items, there is no comparable provision in the Bill.
 - presumably, this is because there are no administered items which are subject to section 31 agreements. The practical effect of a section 31 agreement is to increase the agency’s appropriation.].

Clause 6 authorises expenditure of \$1 198 752 000. The amounts allocated to each agency, and the breakdown between departmental and administered items, are set out in **Schedule 1**.

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Subclause 7(1) empowers the Finance Minister to issue money from the Consolidated Revenue Fund for departmental items for an entity but restricts the total to that specified in Schedule 1.

Clause 8 deals with administered items in the basic appropriation. **Subclause 8(1)** limits the amount of money the Finance Minister can issue from the Consolidate Revenue Fund to the amount specified (in Schedule 1), and the amount that the Finance Minister includes in a determination. The general procedure with respect to the latter is as follows:

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 Consolidated Revenue Fund. By convention the Finance Minister issues determinations in relation to administered expenses appropriations following the completion of each financial year. ... the determinations for administered expenses do not reduce the appropriation. Rather, they are a declaration by the Finance Minister of the maximum amount that may be issued for the respective items. The effect of the determination is that administered expense appropriations that have not been expensed in a year cannot be spent in later years.¹

Clause 9 deals with reductions of appropriations. The general process for reductions is as follows:

Amounts appropriated for departmental expenses and for non-operating costs can be subject to a reduction process first introduced in the additional estimates appropriations acts for 2003-2004. Under this process, on request in writing from a responsible minister, the Finance Minister may issue a determination to reduce the entity'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, amounts appropriated for departmental outputs and non-operating costs may be issued from the CRF as required.²

Clause 11 deals with the power of the Finance Minister to increase the amount allocated to a departmental item up to a maximum of \$20 million. As noted, departmental expenses are essentially the costs of running agencies such as salaries and rent. Clause 11 provides flexibility in that when situations arise where an agency finds that it does not have enough funds for departmental expenses and the shortfall cannot be met through the normal additional estimates processes, it may request additional funds by means of a determination that the Finance Minister issues. **Subclause 11(3)** provides that such a determination is a legislative instrument, but is not disallowable.

Clause 12 deals with the AFM. **Subclause 12(3)** limits the combined total the Finance Minister can issue under *Appropriation Act (No. 1) 2005-06* and the Bill to \$175 million. **Subclause 12(5)** provides that such an AFM determination by the Finance Minister is a legislative instrument, but is not disallowable.

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Endnotes

1. Australian Government, Agency Resourcing 2006-07, Budget Paper No. 4, p. 6.
2. *ibid.* p. 6.

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