

REPORT ON ADVANCES PROVIDED UNDER THE ANNUAL APPROPRIATION ACTS FOR THE YEAR ENDED 30 JUNE 2019

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**Table of Abbreviations & Acronyms**

|  |  |
| --- | --- |
| ***Abbreviation/Acronym*** | ***Definition*** |
| AFM | Advance to the Finance Minister |
| ANAO | Australian National Audit Office |
| Infrastructure | \*Department of Infrastructure, Regional Development and Cities |
| Infrastructure | \*Department of Infrastructure, Transport, Cities and Regional Development |
| Finance | Department of Finance |

\*Please note: The Department of Infrastructure, Transport, Cities and Regional Development was previously known as the Department of Infrastructure, Regional Development and Cities before the Administrative Arrangements Order of 29 May 2019 (<https://www.pmc.gov.au/resource-centre/government/aao-29-may-2019>).

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# Introduction

Advances under the annual Appropriation Acts enable urgently required allocations to be issued to entities during the year. They are issued by a Determination made by the Minister for Finance (Finance Minister) (or, for a Parliamentary Department, the responsible Presiding Officer) up to a statutory limit in the annual Appropriation Acts.

This Report discloses details of the three Advances provided during the 2018‑19 financial year.

There was one Advance issued from *Appropriation Act (No. 1) 2018‑2019* which allows the Finance Minister to issue up to $295 million.

There were two Advances issued from *Appropriation Act (No. 2) 2018‑2019* which allows the Finance Minister to issue up to $380 million.

The Australian National Audit Office (ANAO) provided an Independent Review Report to the Finance Minister on the process of issuing Advances in 2018‑19. A copy of the ANAO’s Report is attached to this Report at Attachment A.

## Overview for 2018‑19

There were three Advances provided to entities in 2018-19. The Advances, together with the expenditure and the amounts underspent, can be summarised as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **AFM**  **No.** |  | **Entity** | **Advance Provided**  **($’000)** | **Expenditure**  **($’000)** | **Underspend**  **($’000)** |
| 1 |  | \*Department of Infrastructure, Regional Development and Cities | 75,379 | 44,832 | 30,547 |
| 2 |  | Department of Home Affairs | 52,560 | 10,501 | 42,059 |
| 3 |  | \*Department of Infrastructure, Transport, Cities and Regional Development | 40,000 | 40,000 | 0 |
| **Total** |  |  | **167,939** | **95,333** | **72,606** |

\*Please note: The Department of Infrastructure, Transport, Cities and Regional Development was previously known as the Department of Infrastructure, Regional Development and Cities, before the Administrative Arrangements Order of 29 May 2019.

This Report provides an explanation of the relevant underspends.

## 

## Authority

The sections of the Appropriation Acts which enable the use of Advances are specific to the relevant Act for the relevant year. In 2018‑19 the relevant sections, and the amounts available under them, were:

* Section 10 of *Appropriation Act (No. 1) 2018‑2019*, which allowed for $295 million; and
* Section 12 of *Appropriation Act (No. 2) 2018‑2019*, which allowed for $380 million; and
* Section 11 of *Appropriation (Parliamentary Departments) Act (No. 1) 2018‑2019*, which allowed for $1 million for the Department of Parliamentary Services and $300,000 each for the Department of the Senate, the Department of the House of Representatives and the Parliamentary Budget Office.

## Eligibility requirements and transparency

An Advance may only be issued if the Finance Minister (or the responsible Presiding Officer for a Parliamentary Department) is satisfied that:

1. there is an urgent need for expenditure that is not, or is insufficiently, provided for in the relevant Appropriation Act; and
2. the additional expenditure is required due to:
   1. an erroneous omission or understatement in that Act; or
   2. the additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in the relevant Bill for that Act (before the relevant Bill was introduced into the House of Representatives).

An Advance made by the Finance Minister, or the responsible Presiding Officer, has effect on the Appropriation Act concerned as if the Schedule to the Act was amended in accordance with the Determination. Accordingly, these Determinations are legislative instruments under the *Legislation Act 2003*, registered on the Federal Register of Legislation and tabled in the Parliament. They are each accessible at <https://www.legislation.gov.au> under the heading “Legislative Instruments”.

A copy of this report is available through the Department of Finance (Finance) website at

<http://www.finance.gov.au/publications/advance-to-the-finance-minister>

Guidelines on Advances are available under Part 7 – Provisions for appropriation advances, in the *Guide to Appropriations (RMG 100)*, through the Finance website, at [https://www.finance.gov.au/publications/resource-management-guides/guide-appropriations-rmg-100#-part-7-provisions-for-appropriation-advances-](https://www.finance.gov.au/publications/resource-management-guides/guide-appropriations-rmg-100" \l "-part-7-provisions-for-appropriation-advances-)

## Advance available in 2018‑19

Relevant Advance amounts are restored to the original amount available upon commencement of new Acts.

Prior to the commencement of *Appropriation Act (No. 3) 2018‑2019*, on 4 April 2019, no Advances had been provided under *Appropriation Act (No. 1) 2018‑2019*.

Section 10 of *Appropriation Act (No. 3) 2018‑2019* provides that irrespective of any Advances provided before the commencement of that Act, the amount available under section 10 of *Appropriation Act (No. 1) 2018‑2019* is restored to the original amount of $295 million.

Accordingly, the total amount that could have been issued by the Finance Minister during 2018‑19, under *Appropriation Act (No. 1) 2018‑2019*, was $295 million.

Prior to the commencement of *Appropriation Act (No. 4) 2018‑2019*, on 4 April 2019, one Advance had been provided under *Appropriation Act (No. 2) 2018‑2019*, being $75.379 million in December 2018 to Infrastructure.

Section 12 of *Appropriation Act (No. 4) 2018‑2019* provides that irrespective of any Advances provided before the commencement of that Act, the amount available under section 12 of *Appropriation Act (No. 2) 2018‑2019* is restored to the original amount of $380 million.

Accordingly, the total amount that could have been issued by the Finance Minister during 2018‑19, under *Appropriation Act (No. 2) 2018‑2019*, was $455.379 million (this represents $75.379 million issued plus a further $380 million available).

# Advances made in 2018-19

## AFM NO. 1

|  |  |  |  |
| --- | --- | --- | --- |
| **Legislative Instrument** | F2018L01816 – Advance to the Finance Minister Determination (No. 1 of 2018‑2019) | | |
| **Enabled by** | Section 12 of *Appropriation Act (No. 2) 2018‑2019* | | |
| **Sequence** | No. 1 of 2018-2019, 18 December 2018 | | |
| **Portfolio** | Infrastructure, Regional Development and Cities\* | | |
| **Entity** | Department of Infrastructure, Regional Development and Cities (Infrastructure)\* | | |
| **Appropriation item** | State, ACT, NT and local government item | | |
| **Outcome** | Outcome 3 – Strengthening the sustainability, capacity and diversity of our cities and regional economies including through facilitating local partnerships between all levels of government and local communities; through reforms that stimulate economic growth; and providing grants and financial assistance | | |
| **Program** | Regional Development | | |
|  | | | |
| **Legislative Requirement** | **Amount Issued** | **Expenditure** | **Underspend** |
| Unforeseen | $75,379,000.00 | $44,831,704.66 | $30,547,295.34 |

## Explanation of Requirement

On 19 August 2018 and again at the National Drought Summit held on 26 October 2018, the Government announced the extensions of the Drought Communities Program in 2018‑19, in order to provide immediate financial assistance to drought affected communities.

The program extensions were announced as part of the 2018‑19 Mid-Year Economic and Fiscal Outlook measure *Assistance for Farmers and Farm Communities in Drought.* These government decisions were not made until after *Appropriation Bill (No. 2) 2018‑2019* was introduced into the House of Representatives on 8 May 2018. This was an urgent requirement with funding necessary before the Additional Estimates Bills.

On 18 December 2018, Infrastructure was provided with an AFM for $75.379 million to meet these costs. On 16 July 2019, access to the unspent AFM amount as at 30 June 2019 of $30.547 million was formally withheld, through Section 51 of the *Public Governance Performance and Accountability Act* *2013*.

## Explanation of Underspend

The AFM provided funding to 81 Local Government Areas (LGAs) to facilitate short-term economic stimulus to drought-affected communities. While the majority of projects were delivered within the short timeframe, a number of LGAs eligible for program funding experienced project delays due to extenuating circumstances, including as a result of floods and difficulties securing qualified local tradespeople. The true nature of the project delays was not realised until late in the financial year.

Based on information available at the time, the full amount was accrued as at 30 June 2019. The Department of Infrastructure, Regional Development and Cities met these accrued expenses from other appropriation sources during 2019-2020. The Department will receive offsetting supplementation through the 2019-2020 Additional Estimates process.

## 

## AFM NO. 2

|  |  |  |  |
| --- | --- | --- | --- |
| **Legislative Instrument** | F2019L00577 – Advance to the Finance Minister Determination (No. 2 of 2018‑2019) | | |
| **Enabled by** | Section 10 of *Appropriation Act (No. 1) 2018‑2019* | | |
| **Sequence** | No. 2 of 2018-2019, 5 April 2019 | | |
| **Portfolio** | Home Affairs | | |
| **Entity** | Department of Home Affairs | | |
| **Appropriation item** | Departmental item | | |
| **Outcome** | Outcome 1 – Protect Australia’s sovereignty, security and safety through its national security, emergency management system, law enforcement, and managing its border, including managing the stay and departure of all non-citizens | | |
| **Program** | Border Enforcement – Departmental  Onshore Compliance and Detention – Departmental | | |
|  | | | |
| **Legislative Requirement** | **Amount Issued** | **Expenditure** | **Underspend** |
| Unforeseen | $52,560,000.00 | $10,500,719.00 | $42,059,281.00 |

## Explanation of Requirement

On 28 March 2018, the *Home Affairs Legislation Amendment (Miscellaneous Measures) Bill 2018* (the Bill) was introduced into the House of Representatives and subsequently passed both houses on 13 February 2019, making it not possible for an amount to be included in *Appropriation Bill (No. 3) 2018-2019* which had already been finalised and printed prior to introduction into the House of Representatives on 14 February 2019.

The *Home Affairs Legislation Amendment (Miscellaneous Measures) Act 2019* received Royal Assent on 1 March 2019 and commenced the following day. The Government subsequently announced the re-opening of the Christmas Island Immigration Detention Centre.

On 29 March 2019, the Minister for Home Affairs wrote to the Finance Minister requesting an Advance to the Finance Minister of $52.560 million for the Department of Home Affairs, to allow Home Affairs to meet costs associated with medical transfers to Christmas Island in 2018-2019. The Minister for Finance approved this request on 5 April 2019.

On 16 July 2019, access to the unspent AFM amount as at 30 June 2019 of $42.059 million was formally withheld, through Section 51 of the *Public Governance Performance and Accountability Act* *2013*. An underspend is not inconsistent with the purpose of a measure that is both a deterrent and a treatment initiative.

## Explanation of Underspend

The $52.560 million AFM for departmental operating costs, provided to the Department of Home Affairs, was based on an estimated 250 transitory persons being transferred under the *Home Affairs Legislation Amendment (Miscellaneous Measures) Act 2019*. As only 30 persons were transferred as at 30 June 2019, the cash drawdown for the 2018-19 financial year was $10.501 million.

## AFM NO. 3

|  |  |  |  |
| --- | --- | --- | --- |
| **Legislative Instrument** | F2019L00852 – Advance to the Finance Minister Determination (No. 3 of 2018‑2019) | | |
| **Enabled by** | Section 12 of *Appropriation Act (No. 2) 2018‑2019* | | |
| **Sequence** | No. 3 of 2018-2019, 18 June 2019 | | |
| **Portfolio** | Infrastructure, Transport, Cities and Regional Development | | |
| **Entity** | Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) | | |
| **Appropriation item** | State, ACT, NT and local government item | | |
| **Outcome** | Outcome 3 – Strengthening the sustainability, capacity and diversity of our cities and regional economies including through facilitating local partnerships between all levels of government and local communities; through reforms that stimulate economic growth; and providing grants and financial assistance | | |
| **Program** | Local Government | | |
|  | | | |
| **Legislative Requirement** | **Amount Issued** | **Expenditure** | **Underspend** |
| Unforeseen | $40,000,000.00 | $40,000,000.00 | $0 |

## Explanation of Requirement

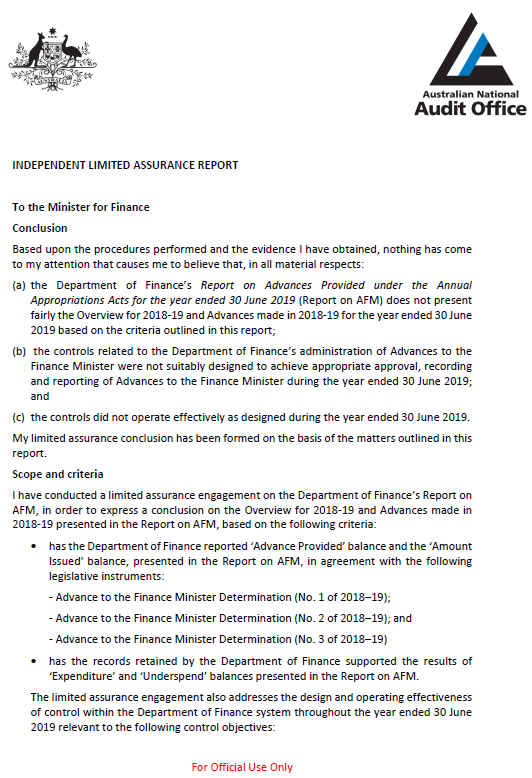
On 13 October 2018, the Government announced $1 billion of additional funding for the Roads of Strategic Importance initiative. Subsequently, as part of the 2019-20 Budget measure *Infrastructure Investment Program – South Australian infrastructure investment*, it was announced the South Australian Government would receive a $40.000 million payment in 2018-2019 to assist local councils to upgrade and maintain their local road network. This measure was announced after *Appropriation Bill (No. 4) 2018-2019* was introduced into Parliament on 14 February 2019.

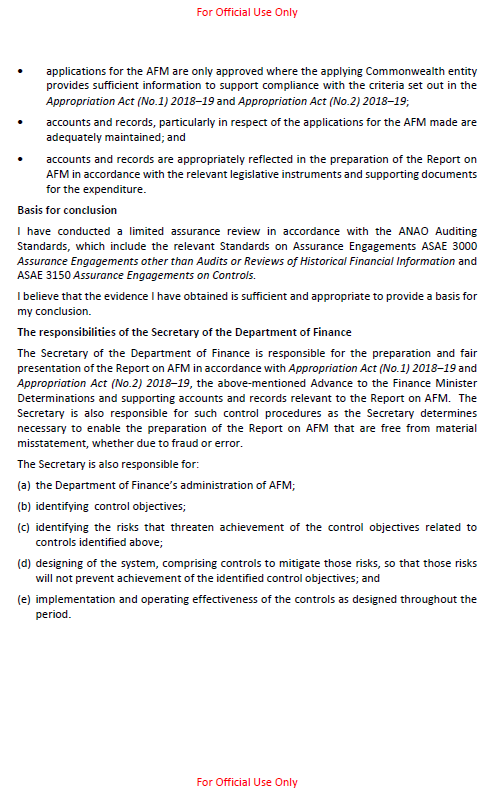
On 11 June 2019, the Minister for Infrastructure, Transport, Cities and Regional Development wrote to the Finance Minister requesting an Advance to the Finance Minister of $40.000 million for the Department, which had insufficient funding to make the payment in 2018-19. The Minister for Finance approved this request on 18 June 2019.

## Explanation of Underspend

There was no underspend.

# ATTACHMENT A: Independent Review Report – ANAO



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