

REPORT ON ADVANCES PROVIDED UNDER THE ANNUAL APPROPRIATION ACTS FOR THE YEAR ENDED 30 JUNE 2020

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**Table of Abbreviations and Acronyms**

|  |  |
| --- | --- |
| ***Abbreviation/Acronym*** | ***Definition*** |
| AFM | Advance to the Finance Minister |
| ANAO | Australian National Audit Office |

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# Introduction

Advances to the Finance Minister (AFM) 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) up to a statutory limit in the annual Appropriation Acts.

Given the unique and evolving nature of the COVID-19 pandemic and the associated uncertainty around the Government’s necessary response, Parliament supported extraordinary AFM provisions in 2019-20 and in the 2020-21 Supply Acts.

This Report discloses details of the seven AFMs provided during the 2019‑20 financial year.

The Australian National Audit Office (ANAO) has issued the Finance Minister an Independent Review Report regarding this Annual Report and the Department of Finance’s controls around AFM administration in 2019-20. A copy of the ANAO’s Report is provided at [Attachment A](#AttachmentA) to this Report.

Additionally, the ANAO has committed to conducting monthly AFM assurance reviews from April 2020, with the objective of providing Parliament with timely assurance on AFMs made under the Government’s stimulus package response to COVID-19.

Each of the monthly ANAO AFM reports is available at:

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

**Overview for 2019‑20**

There were seven AFMs provided to entities in 2019-20. The AFMs, together with the related expenditure and the amounts underspent, can be summarised as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **AFM****No.** |  | **Entity** | **Advance Provided****($’000)** | **Expenditure****($’000)** | **Underspend****($’000)** |
| 1 |  | Department of Health | 100,000 | 100,000 | 0 |
| 2 |  | Department of Health | 200,000 | 200,000 | 0 |
| 3 |  | Department of Health | 800,000 | 800,000 | 0 |
| 4 |  | Department of Health | 400,000 | 400,000 | 0 |
| 5 |  | Department of Health | 380,000 | 380,000 | 0 |
| 6 |  | Department of Industry, Science, Energy and Resources | 2,500 | 0 | 2,500 |
| 7 |  | Department of Industry, Science, Energy and Resources | 91,500 | 0 | 91,500 |
| **Total** |  |  | **1,974,000** | **1,880,000** | **94,000** |

An explanation of the AFM underspends is provided in the section ‘Advances made in 2019-20 to the Department of Industry, Science, Energy and Resources’.

## Authority and AFM available in 2019-20

For 2019-20, $42,975 million in total AFM provisions were made available, across *Appropriation Acts 2019-20* (Nos. 1 to 6) and *Appropriation (Coronavirus Economic Response Package) Acts* *2019‑20* (Nos. 1 and 2).

The sections of the Appropriation Acts which enable the use of AFMs are specific to the relevant Act, for the relevant year. In 2019-20, the relevant sections and the amounts available under them, were:

***$17,095 million*** was provided for the ordinary annual services of government, across the following annual Appropriation Acts:

* Section 10 of *Appropriation Act (No. 1) 2019-2020* – $295 million
* Section 10 of *Appropriation (Coronavirus Economic Response Package) Act (No. 1) 2019‑2020* – $800 million
* Section 10 of *Appropriation Act (No. 5) 2019-2020* – $16,000 million
	+ Allocations from the AFM provision in *Annual Appropriation Act (No. 5) 2019‑2020* reduce the AFM available to be allocated in the 2020-21 financial year under section 10 of *Supply Act (No. 1) 2020-2021 -* $16,000 million – by a corresponding amount

***$25,880 million*** was provided for the non-ordinary annual services of government across the following annual Appropriation Acts:

* Section 12 of *Appropriation Act (No. 2) 2019-2020* – $380 million, plus $300 million reset by *Appropriation Act (No. 4) 2019-2020*
	+ Section 12 of *Appropriation Act (No. 4) 2019-2020* reset the AFM of *Appropriation Act (No. 2) 2019-2020* to $380 million. Prior to royal assent of *Appropriation Act (No. 4) 2019-2020* on 26 March 2020, two AFMs totalling $300 million had been issued to the Department of Health (details set out in the section ‘Advances made in 2019-20 to the Department of Health’)
* Section 12 of *Appropriation (Coronavirus Economic Response Package) Act (No. 2 ) 2019‑2020* – $1,200 million
* Section 12 of *Appropriation Act (No. 6) 2019-2020* – $24,000 million
	+ Allocations from the AFM provision in annual *Appropriation Act (No. 6) 2019‑2020* reduce the AFM available to be allocated in the 2020-21 financial year under section 12 of *Supply Act (No. 2) 2020-2021 -* $24,000 million – by a corresponding amount. As such, following AFM No. 7 of 2019-2020, the AFM available under *Supply Act (No. 2) 2020-2021* on 1 July 2020 commencement was $23,908.5 million

## Eligibility requirements and transparency

An Advance may only be issued if the Finance Minister 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, 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 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 Department of Finance website, at: <https://www.finance.gov.au/publications/resource-management-guides/guide-appropriations-rmg-100#-part-7-provisions-for-appropriation-advances->

# Advances made in 2019-20 to the Department of Health

|  |  |
| --- | --- |
| **Portfolio** | Health |
| **Entity** | Department of Health |
| **Outcome** | Outcome 5 – Protection of the health and safety of the Australian community and preparedness to respond to national health emergencies and risks, including through immunisation, initiatives, and regulation of therapeutic goods, chemicals, gene technology, and blood and organ products |
| **Program** | Health Protection and Emergency Response |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sequence** | **Enabled by** | **Legislative Instrument** | **Appropriation item** | **Amount ($m)** | **Underspend ($m)** |
| AFM No. 1 of 2019-20204 March 2020 | Section 12 of *Appropriation Act (No. 2) 2019-2020* | [F2020L00220](https://www.legislation.gov.au/Details/F2020L00220) | Administered assets and liabilities item | 100.00 | 0.00 |
| AFM No. 2 of 2019-20209 March 2020 | Section 12 of *Appropriation Act (No. 2) 2019-2020* | [F2020L00235](https://www.legislation.gov.au/Details/F2020L00235) | Administered assets and liabilities item | 200.00 | 0.00 |
| AFM No. 3 of 2019-20203 April 2020 | Section 12 of *Appropriation (Coronavirus Economic Response Package) Act (No. 2) 2019‑2020* | [F2020L00402](https://www.legislation.gov.au/Details/F2020L00402) | Administered assets and liabilities item | 800.00 | 0.00 |
| AFM No. 4 of 2019-20209 April 2020 | Section 12 of *Appropriation (Coronavirus Economic Response Package) Act (No. 2) 2019‑2020* | [F2020L00421](https://www.legislation.gov.au/Details/F2020L00421) | Administered assets and liabilities item | 400.00 | 0.00 |
| AFM No. 5 of 2019-20209 April 2020 | Section 12 of *Appropriation Act (No. 2) 2019-2020* | [F2020L00422](https://www.legislation.gov.au/Details/F2020L00422) | Administered assets and liabilities item | 380.00 | 0.00 |
| **Total of AFMs 1-5** |  |  |  | **1,880.00** | **0.00** |

## Explanation of Requirement

Additional funding was provided through AFMs (Nos. 1 and 2 of 2019-2020) on 4 and 9 March 2020 to enable the Department of Health to fund the procurement of masks and other emergency medical or emergency health equipment for the National Medical Stockpile as part of the Australian Health Sector Emergency Response Plan for the virus then known as Novel Coronavirus.

The additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in *Appropriation Bill (No. 4) 2019‑2020* (the Bill), before it was introduced into the House of Representatives. The Bill was introduced into the House of Representatives on 13 February 2020.

Additional funding was provided through AFM No. 3 of 2019-2020 on 3 April 2020 to enable the Department of Health to fund the further procurement of masks and other emergency medical or emergency health equipment to address the unforeseen scale of the COVID-19 spread across the globe and possible shortages due to global demand and domestic manufacturing capability.

The additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in *Appropriation (Coronavirus Economic Response Package) Bill (No. 2) 2019-2020* (the Coronavirus Bill), before it was introduced into the House of Representatives. The Coronavirus Bill was introduced into the House of Representatives on 23 March 2020.

Additional funding was provided through AFMs (Nos. 4 and 5 of 2019-2020) on 9 April 2020 to enable the Department of Health to fund the further procurement of masks and other emergency medical or emergency health equipment to address the unforeseen scale of the COVID-19 spread across the globe and possible shortages due to global demand and domestic manufacturing capability.

The additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in *Appropriation Bill (No. 6) 2019‑2020* (the Bill), before it was introduced into the House of Representatives. The Bill was introduced into the House of Representatives on 8 April 2020.

## Explanation of Underspend

Each AFM allocated to the Department of Health was fully spent.

# Advances made in 2019-20 to the Department of Industry, Science, Energy and Resources

|  |  |
| --- | --- |
| **Portfolio** | Industry, Science, Energy and Resources |
| **Entity** | Department of Industry, Science, Energy and Resources |
| **Outcome** | Outcome 3 – Support the affordable, reliable, secure and competitive operation of energy markets for the long term benefit of the Australian community through improving Australia's energy supply, efficiency, quality, performance and productivity |
| **Program** | Energy |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sequence** | **Enabled by** | **Legislative Instrument** | **Appropriation item** | **Amount ($m)** | **Underspend ($m)** |
| AFM No. 6 of 2019-202023 April 2020 | Section 10 of *Appropriation Act (No. 1) 2019-2020* | [F2020L00467](https://www.legislation.gov.au/Details/F2020L00467) | Administered item, Outcome 3 | 2.50 | 2.50 |
| AFM No. 7 of 2019-202023 April 2020 | Section 12 of *Appropriation Act (No. 6) 2019-2020* | [F2020L00468](https://www.legislation.gov.au/Details/F2020L00468) | Administered assets and liabilities item | 91.50 | 91.50 |
| **Total of AFMs 6-7** |  |  |  | **94.00** | **94.00** |

## Explanation of Requirement

To increase Australia’s fuel security at the lowest cost available, the Australian Government sought to urgently purchase fuel stocks while prices were at historic lows. Additional funding was provided through AFMs (Nos. 6 and 7 of 2019-2020) on 23 April 2020 to enable the Department of Industry, Science, Energy and Resources to lease storage in the United States Strategic Petroleum Reserve and for purchases of oil stocks.

The additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in *Appropriation Bill (No. 5) 2019‑2020* and *Appropriation Bill (No. 6) 2019‑2020* (the Bills), before they were introduced into the House of Representatives. The Bills were introduced into the House of Representatives on 8 April 2020.

## Explanation of Underspend

Allocation of AFM funding to the Department of Industry, Science, Energy and Resources in 2019‑20 allowed the Australian Government to negotiate and enter contracts for the purchase and storage of oil while prices were at historic lows.

Following successful contract negotiations during 2019-20, the oil purchase settled on 3 July 2020, after the commencement of the 2020-21 Supply Acts on 1 July 2020. The 2020-21 Supply Acts provided sufficient appropriation to cover this purchase.

The 2019-20 AFMs allocated to the Department of Industry, Science, Energy and Resources for the purchase and storage of oil ($94 million across two AFMs) were therefore not accessed and consequently lapsed on 30 June 2020.

# ATTACHMENT A: Independent Review Report – ANAO





