



ECONOMICS AND GOVERNANCE COMMITTEE

Members present:

Mr LP Power MP—Chair
Mr RA Stevens MP
Mr MJ Crandon MP
Mrs MF McMahon MP (virtual)
Mr DG Purdie MP
Mr A Tantari MP

Staff present:

Ms L Manderson—Committee Secretary
Ms M Salisbury—Assistant Committee Secretary

PUBLIC BRIEFING—INQUIRY INTO THE APPROPRIATION BILL (NO. 2) 2023

TRANSCRIPT OF PROCEEDINGS

Monday, 23 October 2023

Brisbane

MONDAY, 23 OCTOBER 2023

The committee met at 10.16 am.

CHAIR: Good morning. I declare this public briefing open. I would like to respectfully acknowledge the traditional custodians of the land on which we are participating in this meeting today and pay our respects to elders past and present. We are extraordinarily fortunate to live in a country with two of the oldest continuing cultures in those of Aboriginal and Torres Strait Islander peoples whose lands, winds and waters we all share.

My name is Linus Power. I am the member for Logan and chair of the committee. Other members are Mr Ray Stevens, the member for Mermaid Beach and deputy chair; Mr Michael Crandon, the member for Coomera; Ms Melissa McMahon, the member for Macalister, who is joining us via teleconference; Mr Dan Purdie, the member for Ninderry; and Mr Adrian Tantari, the member for Hervey Bay. The purpose of today's briefing is to assist the committee with its examination of Appropriation Bill (No. 2) 2023. The bill was introduced into the parliament by the Treasurer and Minister for Trade and Investment on 10 October 2023. The committee is required to report back to the parliament on the bill by 24 November 2023.

The briefing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation but I remind witnesses that intentionally misleading the committee is a serious offence. I also remind committee members that officers are here today to provide factual and technical information so any questions seeking an opinion about policy should be directed to the minister or left to debate on the floor of the House. These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. You may be filmed or photographed during these proceedings and images may also appear on the parliament's website and social media pages. Please ensure mobile phones are switched off or to silent mode.

MOLLOY, Mr Dennis, Deputy Under Treasurer, Economics and Fiscal, Queensland Treasury

NEWBY, Mr David, Director—Financial Reporting, Fiscal Policy, Economics and Fiscal, Queensland Treasury

TOMPKINS, Ms Helen, Business Manager—Financial Reporting and Performance, Fiscal Policy, Economics and Fiscal, Queensland Treasury

CHAIR: Good morning. Thank you for agreeing to brief the committee today. I now invite you to make some opening comments after which committee members will have some hard-hitting questions for you.

Mr Molloy: Good morning, Chair and members of the committee. I would like to respectfully acknowledge the traditional owners and custodians of the land on which we meet today. Thank you for the opportunity to be with you to discuss this bill. I have prepared a brief introductory statement. The bill is concerned with obtaining formal approval for the appropriation associated with additional unforeseen expenditure for 2022-23. As required by the Financial Accountability Act 2009, on 6 July 2023 the Governor in Council authorised additional unforeseen expenditure incurred during the 2022-23 financial year of \$1,243,941,000. Given the constitution of Queensland provides that amounts can only be paid from the Consolidated Fund under an act, unforeseen expenditure must also be formally approved by parliament via appropriation bills.

The term 'unforeseen expenditure' does at times seem to cause some confusion about what it actually entails and hopefully today I will be able to help with any questions on that. Unforeseen expenditure in terms of the act is expenditure from the Consolidated Fund above the amount appropriated via the original appropriation acts for a year. They are introduced as part of the annual budget in June prior to the start of the budget year. For emphasis, the key elements are firstly that unforeseen expenditure relates to payments from the Consolidated Fund to departments and, Brisbane

secondly, these are amounts in addition to those contained in the original appropriation acts for a budget year. Unforeseen expenditure can happen for a variety of reasons, such as departments needing additional appropriation through the year to respond to emergent issues, to implement government policy or reflect a change in timing of Commonwealth payments or project delivery. Another source of unforeseen expenditure is new government decisions made throughout the year such as decisions that occurred in the lead-up to the 2023-24 budget that impact on 2022-23. Unforeseen expenditure is also not necessarily the same as a departmental overspend.

Importantly, just because amounts contribute to unforeseen expenditure, it does not mean they were not budgeted for or subject to government decisions at a whole-of-government level. For example, if we have a look at the Queensland Health operational expenses, there were elements of that unforeseen expenditure which were actually provisioned in the original 2022-23 budget at the whole-of-government level so that means it was the budget aggregates and was reflected in the general government sector's budget expenditure and net operating position. These amounts though were not included in the original departmental appropriations until such time as subsequent detail was finalised and that appropriation was then able to be distributed to the department. While these amounts were budgeted for, it is only now they are being reflected in a formal appropriation bill.

It is also worth mentioning that the supplementary appropriation bill is only concerned with unforeseen expenditure for 2022-23. Some departments may have underspends which are not considered in this process. Unforeseen expenditure has previously been exclusively contained in the supplementary appropriation acts. These acts are generally introduced in September or October after the financial year ended. There has been a change from past practice for the 2023-24 budget delivery. The 2023-24 annual appropriation act for departments introduced on budget day in June 2023 included additional appropriation relating to unforeseen expenditure for 2022-23 as estimated at the end of April 2023. Overall, this new process, by identifying these amounts earlier, increases transparency and accountability. Including additional appropriation relating to unforeseen expenditure for 2022-23 in the 2023-24 annual appropriation act meant these amounts were introduced into parliament earlier in the relevant financial year than would otherwise have occurred. Given the act formed part of the 2023-24 budget material these were available for scrutiny through the estimates process. Importantly, the change to the 2022-23 unforeseen expenditure appropriation process will not result in any additional expenditure or funding in aggregate being provided compared to the previous approach. By the end of the financial year departments will have received the same amount of appropriation they would have received had the change to the process not been made.

Which brings us back to the supplementary appropriation bill and its purpose to formally appropriate the unforeseen expenditure that arose after April 2023. Unforeseen expenditure can occur post April due to decisions contained in the 2023-24 budget process, new commercial agreements being entered into or accounting adjustments made as improved information became available. The key contributors to unforeseen expenditure contained in the bill were discussed in the briefing material that was provided to the committee. I will not run through those because they were covered in the brief. The explanations for the total unforeseen expenditure incurred by departments for 2022-23 as a whole are included in the explanatory notes to the statement of appropriations as set out in the Consolidated Fund financial report which was audited by the Queensland Audit Office and tabled in parliament in September. Once again, I would like to thank the committee for the opportunity to make this opening statement and I am happy to take questions.

Mr STEVENS: Thank you very much for your presentation. Could you provide an explanation of this for me? Between the appropriation bill for \$697 million and the extra additional appropriation for 2023-24 that was put forward previously in our 2023-24 budget papers, that comes to \$1,089 billion in round figures. Of the vote of \$14 billion, that represents about a nine per cent increase in expenditure that was unforeseen and unbudgeted for. Is that a normal figure or is that high? Can you give me any other comparative years such as 2022-23 where the vote of the appropriation bill was nine per cent out in terms of the expected expenditures? Am I clear on that?

Mr Molloy: Could you just go back over those figures again?

Mr STEVENS: The figures I have in front of me are that the 2023-24 additional appropriation on the vote of the 2022-23 appropriation was \$392,058,000. The unforeseen expenditure that we have in this particular bill for 2022-23 is \$697,524,000 and that comes to a total of unforeseen expenditure for 2022-23 of \$1,089,582,000. That, of the original vote of \$14,253,426,000, is about nine per cent out in terms of the original vote. That seems a fairly high figure to me. I was just wondering if that is a normal figure and what other figures have been around that nine per cent out in the original vote taken for the 2022-23 appropriation. How am I going? Am I clear?

CHAIR: When you talk about the original vote you are talking about the totality of the expenditure in—

Mr STEVENS: The original appropriation in 2022-23 was \$14,253,426,000—

CHAIR: For the entire budget?

Mr STEVENS: For Queensland Health.

CHAIR: You had not mentioned Health before.

Mr STEVENS: That is what our figure here is.

CHAIR: In your question so far, you have not talked about health. That is probably why Mr Molloy was asking.

Mr STEVENS: I am sorry; I beg your pardon. All the others are pretty easy going, but this one is pretty large.

CHAIR: The question is about the percentage of the health budget. I think it is clearer now. You had not mentioned the word 'health' so that is why we had trouble following it.

Mr Molloy: Thank you for that clarification, because I was confused.

Mr STEVENS: I am sorry. I was focused on the big figure.

Mr Molloy: That is fine. With respect to Health and if we go through the reasons for that, I will just get the total figure that you referenced there, Deputy Chair, again?

Mr STEVENS: It was \$1,089,582,000. That is the total appropriation against the vote of \$14,253,426,000 for the 2022-23 Queensland Health appropriation. It represents about a nine per cent unforeseen expenditure. Is that a normal figure? Is it an unusual figure? Is Treasury concerned about those issues? Those are the answers I want on that particular figure.

Mr Molloy: Obviously, health is a priority for the government and has been funded accordingly. There are a few things that I need to unpack to provide some background on that. There are a few elements that help underpin that number.

There was some additional funding that was provided through the budget process for Health, which impacted on that 2022-23 year in response to emergent priorities. There was also a significant element—and this goes to one of the issues I mentioned in my initial comments that agencies are only appropriated for spending once the details of that spending are established. If we have a look back at the 2022-23 budget, there was funding that was included in the 2022-23 budget at the aggregate level for Health to cover off aspects to do with the government's wages policy—so that wages policy, the four, four and three per cent increases and also estimates of the cost-of-living adjustment. That was included in the budget aggregates but was not appropriated to Health until later in the year and through this current process we are talking about. That is an approach whereby the amounts are set aside in aggregate but, again, they are not appropriated until such time as agreements are struck and the details of those agreements are struck. At that point, that money moves from just being part of budget aggregates, that Treasury is holding, to appropriate for the agency, so once those details are satisfied. That is an approach that is important from a budgeting perspective because we want to make sure that those details are satisfied and we move that across.

There is also an amount of additional expenditure that related to COVID-19 in 2021-22 where there were some reimbursements to Health for additional expenditure that was associated with that so that was recognised by the government and also was made. I would also call out, in addition to the enterprise bargaining increases, there were adjustments that again were included in the 2022-23 budget aggregates for some changes that were happening to superannuation. That was, again, included in the budget aggregates but only appropriated to Health subsequently. There is also some funding that has been included in Health for the 10-year commercial agreement between Queensland Health and LifeFlight Australia Ltd. That was a policy decision of government as well.

There is quite a number of factors that are feeding into that number but, again, I would highlight that some key elements of that are fairly unique and that does relate to the timing of the rollout of those enterprise bargaining agreements and superannuation payments into the appropriations, so moving those from a whole-of-government aggregate into an actual appropriation bill to Health. Also, we see that tailing off of those adjustments to COVID so we are seeing that coming through the numbers as well.

Mr STEVENS: On that, Mr Molloy, so I understand, with the four, four and three—which is the wage increase agreed to under enterprise bargaining—that is not actually reflected in the other departmental appropriation expenditure that we are seeing here in terms of the extra cost that would

be involved in that. Also, to my original question, is a figure of nine per cent out in the appropriation a normal adjustment figure or is it a one-off? How does this compare to previous years of unforeseen expenditure?

CHAIR: The nine per cent comes from—

Mr STEVENS: It is \$1 billion over \$14 billion—round figures.

CHAIR: Which comes to 7.64 per cent.

Mr STEVENS: How did you work that out in your head, Chair?

CHAIR: I used a calculator. You have a spreadsheet in front of you.

Mr STEVENS: I am using my head.

CHAIR: As an accountant, I thought you would appreciate the correction.

Mr STEVENS: Thank you.

Mr Molloy: I do not have the historical series in front of me for the Health appropriation so I cannot answer that specific question. But again, on enterprise bargaining, that is a treatment that if you have sufficient information relating to agencies then you will appropriate them for their enterprise bargaining outcomes earlier. Where there are funding details that need to be resolved later during the year, which is what happened in this instance, that is what is reflected in those numbers.

Mr STEVENS: Can we take that on notice, the historical—

CHAIR: There was a suggestion that you take the expenditure and then divide it by the total and get 7.6 per cent. Sorry, I am just having a go at Ray. If you could give us some historical background on those expenditures and take that on notice, that would be great.

Mr Molloy: Sure. As I said, that was not one that I had the history for.

CHAIR: No worries. On the process of budget aggregates, I refer to the expression 'unforeseen expenditure'. In some ways often we do foresee this expenditure but we are putting it in budget aggregates because it does not reach the standards of certainty that Treasury requires to be legislated at that point. However, there is an understanding that it will be an expenditure that the state is likely to follow on. Is that a fair way to express it? How does it move from budget aggregates into a budget that is legislated on?

Mr Molloy: Unforeseen expenditure has a very technical meaning that relates to when you are actually making that appropriation, so it is triggered at that point. What Treasury attempts to do is, where you have expenses that have been identified—so government policy is clear but the details have not been, which you would require to roll out a payment to an agency—we will hold those funds centrally so they will be reflected in our budget aggregates. For example, our operating position is probably one that people focus on. That will be reflected in our operating position. When we get to the point of being able to have sufficient detail to substantiate an actual payment from agencies into appropriations—often that would be, and generally is, a decision of government—the details will come back and, yes, we understand the details and everyone is signed off on that. At that point that money will move into appropriation for the agency.

CHAIR: For example, Health puts forward a new policy that has expenditure and, that being a policy of government, there might be a budget aggregate that is put aside but not legislated yet because the details are not sufficient for Treasury to release that money in a formal legislative sense?

Mr Molloy: Where there was sufficient reason to set that allowance aside initially—you have a clear indication that this is a decision that the government has made but there are details that still need to be satisfied, agreements that still need to be struck.

CHAIR: We also spoke about the 2009 Financial Accountability Act and how, as much as possible, we had brought forward the expenditure that happened in the previous year to the budgetary period. In that way, does that practice better reflect the intent of the 2009 Financial Accountability Act in that we are bringing forward as quickly as possible expenditure to be enacted and to be available for the estimates process?

Mr Molloy: Certainly our assessment is that that earlier identification does improve transparency and does allow for extra discussion, if need be, through the estimates process. Obviously we are not in a position to totally finalise those numbers so that is why we have this split process, if you like. However, as much as we can identify we bring forward into that appropriation. So it is a change but we think it is one that is consistent with the intent of the act.

Mr CRANDON: I am picking up on what you were talking about in your opening statements and the further discussion about seeking clarity on money in various areas. Why are we referring to it in this new way of doing things—and it may have been also referred to exactly the same way in the past—as unforeseen if the expenditure was already foreseen? Given that we are looking at providing clarity, then for clarity would it not be more appropriate to have the unforeseen expenditure as a line item—we will use that terminology—and then, for example, a brought-forward expenditure, a previously budgeted expenditure? In other words, instead of putting it all into this one bucket called ‘unforeseen expenditure’, when it was not unforeseen—it was already in the melting pot but we did not have the clarity or the certainty about the dollars and I get that because you don’t just give them the money and say, ‘Let us know how you came to that’ and so forth. Would it not be better to look at these figures as separate amounts so that we can see the actual amount that was overspent, if you like, by the department as opposed to the amounts that were foreseen and are now being appropriated?

Mr Molloy: It goes to the core of what the appropriation bills are about, which is obviously the purpose here today. An UE in that context has a very specific definition and has a very specific definition that relates to appropriation to agencies. I understand the point you are making. I think that is very hard to accommodate within the entire purpose of what the appropriation bills are for.

CHAIR: Would it be fair to say that it is unforeseen to the standards of appropriating to a department at the time of the enactment?

Mr Molloy: Yes.

CHAIR: Which is complex. I get Michael’s point: it is very complex—

Mr CRANDON: For the average punter, and that is the point that I was going to make. The average punter is looking at this and going, ‘Crickey, look at this.’

CHAIR: To be honest, it is not just the average punter; it is the average opposition Treasury spokesperson.

Mr CRANDON: May I say, it may even be the Treasurer—

CHAIR: Not the Treasurer.

Mr CRANDON:—and members of the government as well. That aside, for the average individual out there, ‘unforeseen’—I was about to say ‘unexplained’ but that is another angle on it—is pretty clear to the average individual. Unforeseen is that we did not see that coming. However, we did see some of these dollars coming so why couldn’t we, if we are aiming to go provide more clarity—and you talked about that in your opening statements—use or adopt new terminology so that it is more specific to the areas?

CHAIR: To add to Michael’s question, where we had federal expenditure for some local governments that effectively is passed through for constitutional reasons—and we act, some have expressed it, as a post box—we obviously did not foresee that expenditure but in some ways it is not really our expenditure either. It is a pass through. Michael’s point is quite accurate in that an ordinary person would not see that as Queensland government unforeseen expenditure.

Mr Molloy: Again, I think it just goes to the whole intent of what the appropriation bills are for. I do not think it is something that can be readily accommodated through our current arrangements to the extent governments wish to highlight the extent to which their actual expenses are budget versus actuals. At some stage before the end of the year no doubt the government will be tabling a report on state finances which will identify what the 2022-23 actual expenses are.

CHAIR: And revenue for that matter.

Mr Molloy: And revenue and the operating position. At that point, that allows a comparison of aggregate expenses to what the original budgeted expenses were estimated at. At that point, that will provide clarity on that issue. Again, appropriation is a very technical subject matter—and I appreciate that that can create an element of uncertainty at times—but, again, I think there are different documents that have different purposes that can allow hopefully to provide some clarity as to what is happening with expenses overall.

Mr PURDIE: In answer to the member for Mermaid Beach’s question, you gave us a breakdown of unforeseen expenditure in Health which made up approximately half the unforeseen expenditure. I note that the Department of Transport and Main Roads and Queensland Treasury also made up a portion of that. You have already explained EB agreements and policy decisions, but is there anything else in terms of a breakdown that you could give us as to what that expenditure entailed for Transport and Main Roads and Treasury?

Mr Molloy: Certainly. Transport has been very successful in delivering its capital program earlier than was originally expected. There are a number of projects that underpin that. There are a number on the Pacific Highway, for example, and some Gold Coast projects as well where spending has been earlier than would have otherwise been anticipated. In terms of Treasury there are a couple of factors there that are identified, one of which is an equity injection into the CleanCo business to assist CleanCo in rolling out renewable energy investments in regional Queensland. That was a significant contribution. There is also an element there relating to the arrangements with the Commonwealth government, which National Cabinet endorsed, in terms of the coal price cap that had some fairly unique application in Queensland to a limited number of generators. Those arrangements are commercial-in-confidence, but that is also a contributor to the Treasury UE element.

CHAIR: Thank you very much for the information you have provided today. Thank you to the Hansard reporters and broadcast staff—Lindsay up there. A transcript of the proceedings will be available on the committee's parliamentary webpage in due course. We note that there was a question taken on notice for which we need your response by 5 pm on Monday, 30 October 2023. I declare this public briefing closed and thank you very much for your evidence.

The committee adjourned at 10.49 am.