



# ***ECONOMICS AND GOVERNANCE COMMITTEE***

**Members present:**

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

**Staff present:**

Ms L Manderson—Committee Secretary  
Ms R Mills—Assistant Committee Secretary

## **PUBLIC BRIEFING—APPROPRIATION (PARLIAMENT) BILL (NO. 2) 2021; APPROPRIATION BILL (NO. 2) 2021**

### **TRANSCRIPT OF PROCEEDINGS**

**TUESDAY, 5 OCTOBER 2021**

**Brisbane**

## TUESDAY, 5 OCTOBER 2021

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### **The committee met at 10.30 am.**

**CHAIR:** Good morning. I declare open this public briefing for the committee's inquiry into the Appropriation (Parliament) Bill (No. 2) 2021 and the Appropriation Bill (No. 2) 2021. I would like to respectfully acknowledge the Jagera-speaking people, the traditional owners of the land on which we meet today, and pay our respects to elders past and present. We are fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander people, whose lands, winds and waters we share.

My name is Linus Power, the member for Logan and chair of the Economics and Governance Committee. Joining me via teleconference today are: Deputy Chair Ray Stevens MP, the member for Mermaid Beach; Melissa McMahon MP, the member for Macalister; and Adrian Tantari MP, the member for Hervey Bay. I note that Mr Michael Crandon MP, the member for Coomera, and Mr Dan Purdie MP, the member for Ninderry, are unable to join us.

The purpose of today's briefing is to assist the committee with its examination of the Appropriation (Parliament) Bill (No. 2) 2021 and Appropriation Bill (No. 2) 2021, which propose to authorise supplementary appropriations for unforeseen expenditure for the 2020-21 financial year—that is, the last year. The bills were introduced into the parliament on 15 September 2021 by the Hon. Cameron Dick MP, Treasurer and Minister for Investment, and were referred to this committee for detailed consideration. The committee is required to report to the parliament on the bills by 1 November 2021.

The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. This briefing is being recorded by Hansard and broadcast live on the parliament's website. The program for the briefing has been published on the committee's webpage and hard copies are available from committee staff. Media may be present and will be subject to the chair's direction at all times. The media rules endorsed by the committee are available from committee staff if required. Those in attendance should note it is possible that you may be filmed or photographed during the proceedings by media and images may also appear on the parliament's website and social media pages.

Before we commence the department's opening comments, I remind all those present to please ensure that your mobile phones are switched to silent mode. I also take this opportunity to remind committee members that officers are here to provide factual or 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. Attending officials, please note that should you need to take any questions on notice today the committee requests your responses be provided to the committee by 12 noon on Friday, 8 October 2021.

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

**NEWBY, Mr David, Director, Financial Reporting, Budget Strategy and Financial Reporting, Economics and Fiscal, Queensland Treasury**

**TOMPKINS, Ms Helen, Principal Financial Accountant, Budget Strategy and Financial Reporting, Economics and Fiscal, Queensland Treasury**

**CHAIR:** I now welcome representatives from Queensland Treasury. I invite you to brief the committee, after which committee members may have some questions for you.

**Mr Molloy:** Good morning, Chair and members of the committee. I would also 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 these bills. I have a brief introductory statement.

On 15 July 2021 the Governor in Council authorised unforeseen expenditure incurred during the 2020-21 financial year of \$449,251,000. Parliamentary approval for this unforeseen expenditure is now being sought comprised of two components: the Appropriation (Parliament) Bill (No. 2) 2021, Brisbane

which provides supplementary appropriation for unforeseen expenditure incurred by the Legislative Assembly and Parliamentary Service in the 2021 financial year of \$1.795 million; and Appropriation Bill (No. 2) 2021, which provides supplementary appropriation for unforeseen expenditure incurred by six departments in the 2021 financial year of \$446,456,000.

Unforeseen expenditure is expenditure from the Consolidated Fund above the amount approved via appropriation bills, which are introduced annually with the budget. Under the Financial Accountability Act 2009, unforeseen expenditure may be authorised by the Governor in Council on the recommendation of the Treasurer; however, as 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 total unforeseen expenditure in 2020-21 of \$449.251 million—the sum of those two bills—represents around 0.7 per cent of the budgeted appropriation. Historically, this is a relatively low amount of unforeseen expenditure, or what we sometimes colloquially call UE. There are a number of agencies that have spent less than was approved in the original appropriation bills. After allowing for unforeseen expenditure and lapses, total appropriation in 2020-21 was actually \$983.551 million less than previously appropriated.

The unforeseen expenditure incurred by the Legislative Assembly and Parliamentary Service of \$1.795 million which was incurred during the 2020-21 financial year related in part to the costs of running the 2020 state election during the COVID pandemic. The majority—nearly 88 per cent—of total unforeseen expenditure in 2020-21 arises from three departments: just over \$114 million from the Department of Children, Youth Justice and Multicultural Affairs, primarily due to additional funding for increased demand for out-of-home-care services in the child protection system and timing adjustments to the proceeds of sale relating to the Childrens Court building; almost \$189 million from the Department of Justice and Attorney-General relating to additional funding to meet the state's share of the Queensland flood class action settlement in 2021; and just over \$91 million from the department of fire and emergency services, primarily due to the COVID-19 response for quarantine accommodation costs, logistics and border control activity as well as additional firefighters and aerial firefighting costs. As I said, these adjustments are the three key ones and relate to those three key departments. A detailed breakdown of the remaining departments has been provided in the written briefing. I am happy to speak to that if there is interest.

I would like to thank the committee for the opportunity to make this opening statement. I am happy to take questions.

**Mr STEVENS:** I am just looking at these overall figures, Mr Molloy. I note that lapsed appropriation amounted to \$1,432,802,000. In round numbers, the figure you have got to today is \$450 million in terms of expenditure. What I am concerned about is that basically a billion dollars from last year's 17 departments was unspent. When they put their budgets in, that would have been money that was budgeted for certain programs in those 17 departments. Now they have said, 'We don't need that \$1.432 billion. We'll throw that back in and you can take it off the figure so that you only end up with \$449 million.' Is this a normal way of budgeting: you budget for projects, do not spend the money and then take it off next year's requirements for spending? I find it very unusual. Those moneys are budgeted for jobs but they may not be completed. They might be work in progress; for instance, you get half a road, half a hospital or half a school built—

**CHAIR:** Mr Stevens—

**Mr STEVENS:**—yet they turn around and say, 'No, no, we've had that money appropriated'—

**CHAIR:** Deputy Chair, do you have a question?

**Mr STEVENS:** Is it normal practice to bring money that has been appropriated back in to give a net result on this requirement for this particular appropriation?

**Mr Molloy:** The short answer to that is yes, but I will provide some extra context which you may find useful. Lapses are actually relatively small in historic terms in 2020-21. If we have a look at the lapse as a proportion of appropriation, it amounts to about 2.35 per cent of appropriation for 2020-21. In proportionate terms, that is actually the second-lowest lapse as a proportion of appropriation in the past decade. We can see that is a very common approach. It is the approach that has been followed. I note your comment, but that level of lapse is actually relatively small in historic terms when viewed against the per cent of appropriation.

**Mr STEVENS:** I appreciate that, Mr Molloy. I understand all of that. It is a low-ish figure, but is it normal practice to write off lapsed appropriation against the appropriation required for the 2020-21 year?

**CHAIR:** Respectfully, I thought that question was answered. Mr Molloy, do you have anything to add?

**Mr STEVENS:** He said it was a low figure, but I just want to know if that is the normal process.

**CHAIR:** The way I heard Mr Molloy's answer was at the beginning—

**Mr STEVENS:** Thank you. I got the answer, Chair.

**Mr Molloy:** Yes. I would also just note that that is the standard approach. One thing to be recognised with a lapse is that it is not as though—in most cases—that money has somehow sort of vanished. Often there is a deferral in a program so that has been carried over to the following year. As we know, from time to time situations do change and we do see that money is deferred from one year to the next.

**Mr STEVENS:** I just want to follow up on that explanation. Lapsed means, I would think, that it is not going to be used; is that correct? Once it is appropriated, then I take it that money is there for the full length of the program?

**Mr Molloy:** Lapsed means in technical terms for the appropriation of 2020-21 that money was not used in that year. That is what it means.

**Mr STEVENS:** If it is carried over then it becomes lapsed and that is—yes, okay. I am with you.

**CHAIR:** I will just further clarify for those listening, Mr Molloy. In some cases, they would have fulfilled their policy objectives with less expenditure and the government might not seek to continue that funding if they have achieved their objective in the following budget. At other times, they were still needing to use some of that expenditure to fulfil the policy objective and then that money would be budgeted in the following budget.

**Mr Molloy:** That is correct. There are a range of reasons that can lead to a lapse. In some instances, it may well be that that level of funding was not required to fulfil the requirement of the policy. In most cases, it tends to be that that money is then available to be spent in the subsequent year.

**CHAIR:** I think both sides of the parliament think that if we can achieve their objectives with less expenditure that is a good thing. Mr Molloy, for those listening who are unfamiliar with our budgetary processes, you mentioned that it is a constitutional requirement, but this process of doing an appropriation bill (No. 2) for both the parliament and the general government is actually a process we go through every year and have done for a considerable time. Obviously, good governments may require changes to expenditure and this is a process where we make this public and show this, but that is a normal process we have gone through for some time. I wanted to give the public some idea of the history of that and that it happens every year.

**Mr Molloy:** Absolutely. It is a longstanding process. There have been variations to that process. I will go back a number of years and I will see if I can identify the year off the top of my head but my colleagues will be able to help me if I get the actual year wrong. It used to be that prior to 2014-15 or thereabouts—I might be a year shy of the date—this process we are talking about today would actually have occurred in the subsequent budget. Rather than it occurring a couple of months after the end of the financial year, it would actually occur in June of the subsequent year so there was quite a significant delay. This arrangement has changed. The whole concept of UE has been with us pretty much ever since I can remember, but that is one change that did occur in the process.

**Mr TANTARI:** My question is to the Acting Deputy Under Treasurer relating to Appropriation Bill (No. 2) 2021. I am interested in the unexpected expenditure in the Department of State Development, Infrastructure, Local Government and Planning—in particular, the area of the on-forwarding of the Australian government's partial prepayment of the 2021-22 funding for financial assistance grants to local governments. Can you explain to the committee the process involved in passing on grant moneys from the Commonwealth to the state government in order to provide grants to local governments? Also, how did the partial prepayment of the funding by the Commonwealth result in unexpected expenditure for the state?

**Mr Molloy:** One of the things that happens from time to time is that the Commonwealth may provide funding to the states for those local government financial assistance grants earlier than we would expect. We would typically anticipate that it would come each year. Sometimes we may find that we get two payments in a year. David, is that what occurred in this instance?

**Mr Newby:** Yes. Normally, you would be expecting the Commonwealth to give us one payment of about \$250 million and we would just pass that on to local government. There are times when the Commonwealth will prepay that amount. We only hear about that very late in the process. We have only budgeted obviously for one payment, the Commonwealth gives us another payment, and we then pass that through to the local governments. It is neutral in a budget sense in that the money just comes in to us and we pass it out again. Obviously, in the budget sense, we have only anticipated one payment and then the Commonwealth makes a double payment.

**Mr Molloy:** To follow on from that elaboration, one thing to be aware of is at the time we are putting together our initial budget—to just emphasise the point that David made—we would expect there would be a single-year payment received. That is probably a fairly common and sensible assumption, but from time to time we see they will pay it twice.

**CHAIR:** Often those payments are just a single payment. It is certainly not in the interests of the state of Queensland and especially those local governments that are the recipients to have those payments delayed to some later date. Would that be fair enough?

**Mr TANTARI:** In relation to the second part of my question, how does the partial prepayment of the funding result in an unexpected expenditure to the state?

**Mr Molloy:** Remember that the nature of unforeseen expenditures is relating to the money which the state is paying out. If we get money from the Commonwealth and we are effectively acting as a postbox—I will characterise it as a postbox; it is probably more than that—we then have to pay that money out. Because we are paying that extra amount out, that is where the UE is identified and that is why it is identified here. It is not the receipt of the money from the Commonwealth, per se, that is relevant in this context; it is the fact that we then pass that money, which we did not expect to get, on to local government that is relevant in this context.

**CHAIR:** It is some constitutional arrangement that the federal government does not directly fund local government on particular expenditures like that. That is why we act, as you said in that case, as the postbox.

**Mr STEVENS:** I think there is no recognition of local governments under the Constitution. They are a child of state government. Moving on to my question, the Treasury briefing paper states that additional funding is provided to Queensland Fire and Emergency Services to fulfil the election commitment of recruiting additional firefighters and for aerial firefighting. Why was this unexpected funding and not budgeted for in either of the two budgets that have been brought down since the election?

**Mr Molloy:** The budget actually did allow for funding for additional firefighters. I think in this instance—again, I will see if my colleagues have anything they can add to my answer—the aerial firefighting was probably in relation to the responses on Fraser Island which were unanticipated at the time as to the level of the severity. That would be my—

**Mr STEVENS:** We are talking about \$91 million here.

**Mr Molloy:** Yes. We are talking \$91 million, but I will refer you to the briefing material that was provided. That encompasses additional departmental services primarily due to funding for the COVID-19 response for quarantine accommodation costs. That was \$80 million of the \$91 million.

**Mr STEVENS:** Okay, so they come out of it as well?

**Mr Molloy:** Yes, and then we also have the quarantine logistics and border controls, and then the funding to fulfil an election commitment for additional firefighters.

**Mr STEVENS:** Okay. I understand.

**Mr Molloy:** Obviously, for the additional firefighters, which was an election commitment, there would not have been the ability to build that in at the time of the budget, given the election came subsequent to that. I expect that is also part of the explanation. To just emphasise again, it is the quarantine and the COVID-19 response which dominates, and as we all know—

**Mr STEVENS:** It is expensive, yes.

**Mr Molloy:** It is expensive and the nature of that response sort of evolves to the circumstances at the time. That, again, is something that is very difficult to fully anticipate.

**Mr STEVENS:** Thank you.

**CHAIR:** There being no further questions from members, we thank the participants here today. I believe there were no questions taken on notice, although we might have some follow-up that we will send through the secretariat. Thank you to the departmental officers who have participated today. This is an important part of accountability of the expenditure of the budget. Thank you to our Hansard reporters, who always do a great job, and the secretariat staff. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. I declare this public briefing on the Appropriation (Parliament) Bill (No. 2) 2021 and the Appropriation Bill (No. 2) 2021 closed.

**The committee adjourned at 10.55 am.**