FINANCE AND ADMINISTRATION COMMITTEE

Members present:

Ms DE Farmer MP (Chair)
Miss VM Barton MP
Mr MJ Crandon MP
Mr CD Crawford MP
Mr DA Pegg MP
Mr PT Weir MP

Staff present:

Ms D Jeffrey (Research Director)
Mrs M Johns (Principal Research Officer)
Ms C Andrews (Executive Assistant)

PUBLIC BRIEFING—APPROPRIATION BILL (NO. 2) 2015 AND APPROPRIATION (PARLIAMENT) BILL (NO. 2) 2015 (QUEENSLAND TREASURY)

TRANSCRIPT OF PROCEEDINGS

MONDAY, 12 OCTOBER 2015

Brisbane

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Committee met at 1.29 pm

MILLER, Mr Glenn, Acting Assistant Under Treasurer, Queensland Treasury

MOLLOY, Mr Dennis, Acting Deputy Under Treasurer, Queensland Treasury

CHAIR: Good afternoon, ladies and gentlemen. I declare this public departmental briefing of the Finance and Administration Committee's inquiry into the Appropriation Bill (No.2) 2015 and the Appropriation (Parliament) Bill (No.2) 2015 open. I am Di Farmer, the chair of the committee and the member for Bulimba. The other members of the committee are Mr Michael Crandon, who is our deputy chair and member for Coomera—he will be joining us very shortly—Ms Verity Barton, who is the member for Broadwater; Mr Craig Crawford, who is the member for Barron River; Mr Pat Weir, who is the member for Condamine; and Mr Duncan Pegg, who is the member for Stretton.

The purpose of this hearing is to receive information from the department about the bills, which were referred to the committee on 16 September 2015. This hearing is a formal proceeding of the parliament and is subject to the Legislative Assembly's standing rules and orders. The committee will not require evidence to be given under oath, but I remind you that intentionally misleading the committee is a serious offence.

Thank you for your attendance here today. We appreciate your assistance. You have previously been provided with a copy of the instructions for witnesses, so we will take those as read. Hansard will record the proceedings and you will be provided with the transcript. This hearing will also be broadcast. Could I remind witnesses to speak into the microphones, please. I remind all of those in attendance at the hearing today that these proceedings are similar to parliament to the extent that the public cannot participate in the proceedings. In this regard, I remind members of the public that, under the standing orders, the public may be admitted to or excluded from the hearing at the discretion of the committee.

I remind committee members that officers are here to provide factual or technical information; they are not here to give opinions about the merits or otherwise of the policy behind the bill, or alternative approaches. Any questions about the government or opposition policy that the bill seeks to implement should be directed to the responsible minister or shadow minister, or left to debate on the floor of the House. Could I also request that mobile phones be turned off or switched to silent mode and remind you that no calls are to be taken inside the hearing room. I would now like to invite you to make an opening statement.

Mr Molloy: Okay. Thank you. Good afternoon. Thanks for the opportunity to be here today to discuss the Appropriation Bill (No.2) 2015 and the Appropriation (Parliament) Bill (No.2) 2015. The primary purpose of the bills is for the approval of supplementary appropriation for unforeseen expenditure incurred in 2014-15 but also to make an amendment to the Financial Accountability Act 2009 with respect to departmental borrowing arrangements. So in the opening statement I will cover off on both of those.

CHAIR: Thank you.

Mr Molloy: Unforeseen expenditure is expenditure from the Consolidated Fund above the amount approved via the appropriation bills that 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. Under the Constitution of Queensland, amounts can be paid from the Consolidated Fund only under an act. Therefore, the unforeseen expenditure must also be formally appropriated by parliament.

Under current practice, the supplementary Appropriation Bills are introduced into parliament during the same sitting week that the *Consolidated Fund financial report* is tabled. This is for two main reasons. The first is to facilitate the timely consideration of supplementary appropriation by parliament, that is, ensuring that the consideration is shortly after the end of the financial year and, secondly, because the *Consolidated Fund financial report* includes explanations that support parliament's considerations of the bills. I will now discuss each bill in detail.

Appropriation Bill (No. 2) 2015 seeks parliamentary approval of supplementary appropriation for unforeseen expenditure incurred by seven departments in the 2014-15 financial year of in total $9.110 million. This is made up of $5.806 million for the Public Safety Business Agency, $2.537 million for the Department of Agriculture and Fisheries, $280,000 for the Electoral Commission of Queensland, $267,000 for the Public Service Commission, $186,000 for the Department of Aboriginal and Torres Strait Islander Partnerships, $25,000 for the Office of the Governor and $9,000 for the Office of the Inspector-General Emergency Management.

In summary, over 60 per cent of unforeseen expenditure incurred by departments was incurred by the Public Safety Business Agency and this related to capital projects transferred from the Queensland Police Service, such as police station and watch house upgrades and refurbishments. A further 28 per cent was incurred by the Department of Agriculture and Fisheries. This related to the additional expenditure required for the support services delivered by the Queensland Agricultural Training Colleges.

The Appropriation Bill (No.2) 2015 also makes a technical adjustment to section 71 of the Financial Accountability Act 2009. Under the current provision, departments are permitted to borrow only with the Treasurer's approval and only from Queensland Treasury Corporation, or QTC. Following a review of its operations and products in mid-2014, QTC sought and received agreement from Treasury to exit the business of leasing. It was considered that leasing did not fit with the core functions of QTC. Whilst the term 'borrowing' is not explicitly defined in the Financial Accountability Act, from an accounting perspective a finance lease—so a lease—is a type of borrowing. Given that QTC has withdrawn from the business of leasing, an amendment to the Financial Accountability Act is proposed to remove the stipulation that borrowings can be sought only from QTC so that a department has the ability to enter into a lease arrangement with the private sector.

It is important to note that the Treasurer's approval will still be required before any borrowing can be entered into. Furthermore, it is the intention that the borrowing of funds for what might commonly be considered to be traditional borrowings will continue to occur with QTC, except in exceptional circumstances and only with the Treasurer's approval. Again, the purpose of that technical change is really just to incorporate and allow for the changes that are occurring with QTC now no longer providing that lease service and to allow departments to access the private sector. But, once again, all the appropriate approvals still need to be required for that to actually happen.

Moving briefly to the Appropriation (Parliament) Bill (No. 2) 2015, it seeks parliamentary approval of supplementary appropriation for unforeseen expenditure incurred by the Legislative Assembly and Parliamentary Service in the 2014-15 financial year of $2.934 million. This primarily relates to one-off expenses as a result of the 2015 state general election, including transitional allowances for departing members and electorate officer severance payments. These expenses were partly offset by savings from the reduction in the number of ministers and assistant ministers.

There was also additional expenditure related to timing adjustments to match expenditure patterns for the design of the fire protection system at Parliament House and upgrades to the financial system partly offset by a timing adjustment for expenditure relating to an upgrade of data cabling in the parliamentary precinct.

The total unforeseen expenditure for 2014-15 is $12.044 million, which is the lowest level of unforeseen expenditure over the past 18 years on both a percentage and total basis of appropriation. That total figure is the sum of the parliamentary appropriation and also Appropriation Bill (No. 2). So it is the sum of those two.

By comparison, 11 of the last 18 years had unforeseen expenditure that exceeded $1 billion. Overall, total appropriation in 2014-15 was less than the total amount approved as part of the 2014-15 budget.

There are no additional administrative costs in implementing either of these bills, as they seek approval for expenditure incurred in the 2014-15 financial year. The amendment to allow departments to borrow from outside QTC is a technical amendment with no significant implications to government. That is my opening statement.

CHAIR: Thank you very much. The committee does have some questions to ask. I just go back to your quite recent statement, Dennis, about the reduction in the appropriation amount approved to the actual expenditure. Was that result anticipated?

Mr Molloy: I think it is fair to say that it was expected that the appropriation would have been less, but it is never until you get to the end of the period that you are really confident as to what the quantum of that is likely to be. Obviously, we are observing these things through the year. We are conscious of how much agencies are drawing down and that was providing some indications that the appropriation would be less. But again, it is not until the end of period that you can be confident as to what the magnitude of that is.

CHAIR: Sure. Thank you.

Mr CRANDON: Thanks, Dennis. I am sorry, I did not write down what you said just a few minutes ago about the number of years that the additional funds have exceeded $1 billion.

Mr Molloy: Yes.

Mr CRANDON: Can you just repeat that for me so that I can then frame my question?

Mr Molloy: Eleven of the last 18 years.

Mr CRANDON: Eleven of the last 18 years have been in excess of $1 billion?

Mr Molloy: That is right.

Mr CRANDON: It is interesting that you picked 18 years. What does it look like over the last 10 and over the last five, say? What has it been like? Up and down? Very low and then very high and what have you?

Mr Molloy: I can go back over time and just identify what the amounts are, because it does tend to move around a bit depending upon the circumstances of the time.

Mr CRANDON: Yes.

Mr Molloy: How many years were you—

Mr CRANDON: Just going backwards, perhaps? I do not want to pick a particular number.

Mr Molloy: Sure, I will just give basically an example.

Mr CRANDON: Starting at the previous year and then just working backwards.

Mr Molloy: Working my way back? Sure. If we have a look at 2013-14, the unforseen expenditure in the 2013-14 year—and I will just give it to the nearest million—

Mr CRANDON: Round figures, yes.

Mr Molloy: That was $448 million. So this year is less than that. If we go back—

Mr CRANDON: What is this year's?

Mr Molloy: $12 million

Mr CRANDON: Okay.

Mr Molloy: If we go back to 2012-13, that figure was $63 million. So that was a very small figure.

Mr Molloy: If we go back into the years prior to that, the figures are quite large.

Mr CRANDON: Read them out to us.

Mr Molloy: I will run through some of those. I will also provide some context, because there are many things that can impact on the level of UE. That includes things like if you have a disaster—

Mr CRANDON: Floods.

Mr Molloy:— that had not been anticipated. If we have a look at some of the arrangements that were entered into by the Bligh government in terms of some of those asset transactions, that also has some impact because of the way that flows through into the appropriations.

Mr CRANDON: Okay.

Mr Molloy: I will go through those amounts. In 2011-12, $2.8 billion was the figure. In this case I will round to billions.

Mr CRANDON: Yes. That is fine.

Mr Molloy: In 2010-11, 9.3—

Mr CRANDON: Was that $9.3 billion?

Mr Molloy: $9.3 billion; that is right. In 2009-10, just a bit over $1 billion; in 2008-09, $2.957 billion, and if we go back a number of years there are also ones over the $1 billion to $2 billion figure, but just to show the volatility that can come through in these numbers from time to time, in 2014-15 the UE in that year was 77.5—

Mr Miller: 2004-05.

Mr Molloy: 2004-05, sorry, was $74.5 million.

Mr CRANDON: 74.5 or 77.5?

Mr Molloy: $77.5 million in 2004-05. You can see from that you can get quite a bit of volatility in these figures. It can reflect many things.

Mr CRANDON: So the 2014-15 figure, what was that again?

Mr Molloy: That was $12.044 million.

Mr CRANDON: Thank you.

Miss BARTON: I wanted to go into the increase in 'Other Receipts' that has been listed and I just wondered if you could perhaps outline some of the reasons for those increases?

Mr Molloy: What document are you actually referring to when you point out the other receipts?

Miss BARTON: I have a table in my briefing note from the committee. It is page 3 of the *Consolidated Fund Financial Report*.

Mr Molloy: From the CFF report. Your reference point there is 'Receipts'. There are a couple of them.

Miss BARTON: The 'Other Receipts' and I am seeing 229 per cent. I am just wondering if you could perhaps detail some of that?

Mr Molloy: Sorry to take some time with this, but under 'Receipts' you are talking about 'Other Receipts' in particular?

Miss BARTON: Yes.

Mr Molloy: And, if I am having a look at that, just checking we are talking about the same thing.

Miss BARTON: Where it has a 229 per cent increase.

Mr Molloy: So we are talking about going from a figure of, in year to date 30 June 2014, $2.18 million to $7.168 million in the year to date 30 June 2015.

Miss BARTON: Yes.

Mr Molloy: That is an increase of about $5 million in the context of total receipts of $44.615 billion. I just want to provide some perspective as to what that means. In terms of what is behind that, because that is, in the overall scheme of the numbers, not particularly significant, it is not something at hand that we have the explanation for.

CHAIR: If you are able to get back to us that would be great.

Mr Molloy: But I would just mention, you quote a percentage change figure there, but it is important to look at it in absolute terms as to the relative significance of it and, as I said, that is an increase of $5 million in the context of overall receipts of $44.6 billion. But we are happy to get some more detail if it is readily available.

Mr CRAWFORD: I am looking at the same chart, so before you shift that one away, our notes indicate a 54 per cent increase in dividends and income tax equivalent between 30 June 2014 and 2015. Any reason for that 54 per cent change?

Mr Molloy: So you are looking at dividend and income tax equivalent for the year to date and, as you said, going from $1.425 billion to the $2.191 billion increase. Part of the reason for that relates to the debt action plan and it is the nature of the way that that, in an accounting sense, has been identified as a dividend. That is a significant reason for that increase.

Mr Miller: I expect that would have been outlined in the 2015-16 budget, but in broad terms there is the change in dividend policy from 80 to 100 per cent for the network GOCs and there was also an accounting change to the treatment of underrecoveries from previous years of those GOCs which increased the level of dividends in 2014-15, but I think there should be a full explanation contained within the 2015-16 budget document.

Mr WEIR: I was looking at the unforeseen expenditure and I was looking at Department of Agriculture and Fisheries. It says there that it was support services for Queensland Agriculture and Training Colleges. Is that structure? Is that staff? I was wondering what it was.

Mr Miller: Our explanations are obviously based on information that the departments provide. The explanatory notes that are in the *Consolidated Fund Financial Reports* are the best information that we have to hand. There is not a lot of detail there, it really just talks about support services, but if you would like we can go and seek some more information from the department.

Mr WEIR: I would be curious to know.

Mr PEGG: Going back to the table some of my colleagues referred to earlier, I had a question about the non-appropriated equity adjustments. Could you please outline what type of receipts are included in this category and what are the reasons for the decrease?

Mr Molloy: Again can you just give a reference to a specific table so we can have the document in front of us so we can make sure we are responding to the right thing.

Miss BARTON: I think it was the table I was referring to earlier, page 3.

Mr PEGG: It is.

Mr Molloy: Just run through your question again.

Mr PEGG: My question was about non-appropriated equity adjustments as it decreased there. I was asking what were the reasons for the decrease and also what type of receipts are included in this particular category?

Mr Miller: There is nothing to hand on what might explain that.

CHAIR: If you need to come back to us that is fine.

Mr Molloy: We are happy to come back to that.

CHAIR: Does anybody else have any other questions?

Mr CRANDON: I do, if you wouldn't mind, Madam Chair, have one more question. I note what you were talking about in relation to those unexplained things where there was some fairly significant unexpected, unforeseen expenditures. Certainly in recent years and this year at $12 million you would have to have a smile on your face to only have to come along to a committee and talk about a $12 million unforeseen expenditure, but it seems like the last few years things have been more sedate, more reasonable as far as expenditure is concerned. Is that because there is a change in the way that assumptions are made? Can you put your finger on any reason why things seem to be coming in a fairly moderate way; any thoughts on that? I am sure you would be happy about it, but is there any reasoning behind it that you could put your finger on?

Mr Molloy: Certainly the one-off factors that led to some of those really big numbers in the past have not been present. That is obviously a very relevant sort of consideration. I think that is probably the paramount reason. But in addition to that obviously over time we would like to think at least that our level of scrutiny on agency spending is constantly improving. Certainly from a Treasury perspective we would like to think that is playing a part in that, but I think to be fair the principal reason is really the fact we have had an absence of those one-off factors which can be very, very big.

Mr CRANDON: I take your point on that, Dennis, but can I just make the point though that we have still had those North Queensland cyclones and floods and what have you over these years that we are talking about and I suppose where I am trying to come from here is do you think that you are putting a bigger reserve aside, if I could say it that way? Do you think there is something happening there, where you are going, 'Well, we've been hit hard with unexpected and unforeseen expenditure in recent times, clearly we are not getting it right there so we will just puff'—sorry, that is the wrong terminology. I do not mean that at all—'we will just make sure that there is sufficient additional funding there on a just-in-case basis.' That is where I am coming from.

Mr Molloy: Well, we haven't actually included very big allowances to try to take into account a disaster event that might be going to occur. We have not done that.

Mr CRANDON: You haven't done that. Thank you.

Mr Molloy: But if you have a look at some of the things that were impacting the numbers around the 2010-11 floods, that was of a magnitude which was obviously probably never really envisaged, and whilst there have been some events subsequent to that, they have not been on the same scale, albeit obviously regionally significant, but in terms of an overall state perspective they just haven't been of the same scale.

Mr CRANDON: Thank you.

CHAIR: You have given a very thorough briefing and, as the member for Coomera said, it is actually good news so we appreciate that. I declare this briefing closed. If we could hear back from you by Wednesday on those questions that we discussed earlier that would be great. We very much appreciate your assistance. Thank you.

Committee adjourned at 1.56 pm.