



# ***FINANCE AND ADMINISTRATION COMMITTEE***

**Members present:**

Mr PS Russo MP (Chair)  
Mr RA Stevens MP  
Mr LL Millar MP  
Mr DA Pegg MP  
Mr PT Weir MP  
Mr J Pearce MP

**Staff present:**

Ms A Honeyman (Research Director)  
Ms L Sbeghen (Principal Research Officer)  
Ms K Shalders (Committee Support Officer)

## **PUBLIC BRIEFING—CONSIDERATION OF THE APPROPRIATION BILL (NO. 2) 2016**

### **TRANSCRIPT OF PROCEEDINGS**

**WEDNESDAY, 12 OCTOBER 2016**

**Brisbane**

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### Committee met at 12.33 pm

**CHAIR:** Good afternoon, everybody. I declare the public briefing of the Finance and Administration Committee open. I am Peter Russo, the chair of the committee and member for Sunnybank. Mr Ray Stevens, the member for Mermaid Beach and deputy chair, is currently absent. Other members of the committee are Mr Duncan Pegg MP, member for Stretton; Mr Lachlan Millar MP, member for Gregory; and Mr Pat Weir MP, member for Condamine. We also have with us today Mr Jim Pearce MP, member for Mirani, who is substituting for Mrs Jo-Ann Miller MP.

The purpose of this public briefing is to receive evidence from departmental officers on the committee's consideration of the Appropriation Bill (No. 2) 2016. The Appropriation Bill (No. 2) 2016 was introduced into the parliament and referred to the committee for its consideration on 13 September 2016. The committee is to report on the bill by 25 October 2016.

The briefing today 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. On the table in front of you is a copy of schedule 8 of the standing orders, the code of practice for Public Service employees assisting or appearing before parliamentary committees. I assume you are all familiar with that.

Hansard will record the proceedings, and you will be provided with the proof transcript which will also be placed on the committee's website once it is available. I remind officers to speak clearly into the microphone and to state your name and position when you first address the committee. I remind members of the public observing the briefing today that under standing orders the public may be admitted to or excluded from the briefing at the discretion of the chair and committee. We ask that you turn your mobiles off or switch them to silent. We also ask you not to take calls inside the room while proceedings are taking place.

**MILLER, Mr Glenn, Acting Assistant Under Treasurer, Fiscal Management, Queensland Treasury**

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

**MURPHY, Mr Jim, Under Treasurer, Queensland Treasury**

**CHAIR:** I would like to thank the department for its briefing. I invite representatives to make an opening statement before we proceed to questions from the committee.

**Mr Murphy:** Thank you very much, Chair. We welcome the opportunity to brief the committee. The purpose of the Appropriation Bill (No. 2) 2016 is for the approval of supplementary appropriation for unforeseen expenditure occurred in the 2015-16 financial year. Unforeseen expenditure is expenditure from the consolidated fund above the amount approved by appropriation bills introduced annually with the budget. Although called expenditure, it can also relate to additional repayment of debt.

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 only be paid from the consolidated fund 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 2015-16* is tabled. This is for two main reasons: firstly, to facilitate timely consideration of supplementary appropriation by parliament; and, secondly, because the *Consolidated fund financial report* includes explanations that support parliament's consideration and debate of the bills.

I now turn to discuss the bill in detail. The Appropriation Bill (No. 2) 2016 seeks parliamentary approval of supplementary appropriation for unforeseen expenditure incurred by eight departments in the 2015 financial year. The total expenditure which we are seeking approval for is \$390.126 million. This is made up of—I will give approximate figures; we can give you the actual

figures—\$296 million for Queensland Treasury to enable the repayment of debt under the government's enhanced Debt Action Plan; \$40 million for the Department of Communities, Child Safety and Disability Services which mainly relates to finalisation of the cross-billing arrangements with the Australian government under the National Partnership Agreement on Transition Responsibilities for Aged Care and Disability Services and costs associated with enterprise bargaining agreement outcomes; \$39 million for the Department of Energy and Water Supply which mainly relates to the Ergon Energy community service obligation under the uniform tariff policy; \$8 million for the Public Safety Business Agency which mainly relates to the work undertaken on behalf of the Queensland Police Service, the flood focused road safety campaign, enterprise bargaining agreement outcomes and Queensland Government Air rotary-wing aircraft maintenance; \$4 million for the Electoral Commission Queensland which mainly relates to the 2016 referendum on four-year fixed parliamentary terms; and the remaining balance of \$0.14 million which was incurred by the following three departments—Office of the Governor, Office of the Inspector-General Emergency Management and the Queensland Audit Office.

In summary, over 76 per cent of the unforeseen expenditure incurred by departments was incurred by Queensland Treasury, and this was mainly as a result of payment of Energex and Ergon dividends which would be able to then be paid through the 2015-16 budget. There are no additional administrative costs in implementing the bill as it seeks approval for expenditure occurred in the 2015-16 financial year. Thank you again for the opportunity to discuss the Appropriation Bill (No. 2) 2016 with you. I now welcome your questions.

**Mr MILLAR:** Thank you for coming to the committee meeting. I am seeking some understanding as I am a new member to the committee. Why are we seeing this appropriation bill come in now given that we saw the budget handed down only a couple of months ago?

**Mr Murphy:** Dennis will be much more technically correct than me.

**Mr Molloy:** The reason for that is that you cannot identify what your end-of-year position is until you get beyond the end of the year. The budget came down in early June. At that time we were not in a position to identify what the actuals were. We now are, and that is what is reflected here.

I would add, given you noted that you are new to the committee, that we have changed the way we do these appropriations over probably the last three years, from memory. Prior to that, these supplementary appropriations used to come a further 12 months into the future. For example, if we were doing this on the basis of what had occurred prior to the previous three years, the supplementary appropriation for 2015-16 would have been sought next year. After some consideration a number of years ago, it was thought that transparency was enhanced by making sure that we changed that process so that this was brought to parliament soon after the end of the financial year.

**Mr MILLAR:** Is the amount you are seeking consistent with amounts that you have sought before? Is this high? Is this low?

**Mr Molloy:** We have quite a bit of history on that that we could run through. The short answer is that compared to history this is a relatively low amount of supplementary appropriation. Over the last 19 years—which are the figures I have in front of me on supplementary appropriations—this, in percentage terms, is the fourth lowest. In dollar terms, it is the seventh lowest over the last 19 years. This supplementary appropriation of unforeseen expenditure is just over \$390 million. If we go back into history, there are times when it has been well over a billion—when it has been many billions, in fact. That can relate to a number of factors that are not foreseen at the time. In some instances that related to the fact that natural disasters had occurred which had not been anticipated at the time of the budget, and obviously there was a need for appropriation to be provided to allow the Queensland community to be supported through the recovery efforts there.

**Mr MILLAR:** I have one last question. Given that we have seen some natural disasters in the past, do you allocate any money now for the upcoming wet season knowing that something may happen, or do you wait until something does happen and then you allocate money?

**Mr Molloy:** There are certainly estimates that are already built into the budget relating to the expenses for events that have already occurred. Beyond that, no explicit allowance is built into the budget other than, if I could say, some initiatives which have been identified to try to make sure that infrastructure is more resilient than it would have been in the past. That is certainly funded within this budget. There is no explicit allowance set aside for that in the department.

**Mr Murphy:** In the emergency services department.

**Mr Molloy:** Obviously, departments themselves are resourced to be able to respond to the normal types of events. The issue is if you get something that is extraordinary—that is, beyond the usual. For a relatively minor event that can be absorbed. If you get something that is equivalent to the 2010-11 floods there is no way that can be anticipated and we do not build that into our figures.

**Mr WEIR:** How does the lapsed appropriation of \$480 million compare to the usual lapsed appropriation?

**Mr Molloy:** The lapsed appropriation is around \$2.4 billion. I will explain what a lapsed appropriation is to make sure we are all on the same page. This is discussed in the CFFR document. A lapsed appropriation is an appropriation that has lapsed under section 29 of the act so it has a specific meaning. This section states that where the total amount appropriated is not paid to a department within the financial year or within a further two weeks then the unpaid amount of appropriation lapses at the end of the further two weeks.

What that means is not that that money has necessarily all come back to the budget. In most cases what is happening is that departments are reprofiling their spending into future years and the appropriation that relates to 2015-16 is being adjusted down to reflect that. It is not as though the money has been taken back. That money has just been reprofiled into the outyears.

Having gone through that background, I will return to your question. The amount of lapsed appropriation of \$2.4 billion is actually less than what it has been in recent years. If we go back to 2012-13 it was \$4.4 billion. It was a bigger figure. That \$4.4 billion was just under 10 per cent of the appropriation. The lapsed appropriation in 2015-16 of \$2.4 billion is just over four per cent of the appropriation.

**CHAIR:** In relation to the statement of receipts and payments for the year ended 30 June, the committee has noted that the capital return for public enterprise investment increased. Can you explain that?

**Mr Molloy:** Yes, I will answer that question. The capital return from public enterprise investments, as you have indicated, has increased. For 2015-16 it is a figure of \$3.350 billion. That is up from just over \$11 million in 2014-15. In terms of the explanation for that, the higher capital return from public enterprise investments in 2015-16 is due to regearing of the electricity network businesses under the government's debt action plan. The first phase of the government's debt action plan was discussed in detail in the 2015-16 budget. This is the financial demonstration of that occurring. That is the reason for those figures.

**CHAIR:** With regard to unforeseen expenditure, the committee notes that commentary is not usually specifically provided and the reasons and explanatory notes included in the CFFR. Could the department please explain why this is not usually included given that Appropriation Bill (No. 2) relates to funding of unforeseen amounts? Are there any plans to include this in future reports?

**Mr Molloy:** I might have the first go at that. Glenn might be able to fill in a little bit behind me. The unforeseen expenditure is certainly detailed and identified in the explanatory notes. There is certainly an explanation there. The amounts are shown in the CFFR, but the explanations are not provided there. Part of the reason for that is that most of the variation that is in the CFFR is not actually to do with the supplementary appropriation. The explanations that are provided in the CFFR are actually to do with the lapses which we were discussing previously. That is the figure that tends to dominate the variation.

**Mr Miller:** I will just add a little to what Dennis was saying. The Consolidated Fund Financial Report is trying to do a number of things at one time. The explanations for unforeseen expenditure are contained within those explanatory notes, but they are possibly not as explicit as you might be looking for. It works through what the appropriation was in the original budget and what has changed during the year. There are a number of things that the Consolidated Fund Financial Report is consolidating—that is, transfers between headings as well as lapses as well as unforeseen expenditure. They are contained within the individual departments that have unforeseen expenditure but possibly not in a way that is as obvious as you might like.

**Mr Molloy:** Just noting, though, that that extra explanation is provided in the explanatory notes relating to the bill. That information is available.

**Mr Murphy:** We will take on the board the suggestion. It is much better where you can have one document which deals with all these matters. We will take on board that suggestion and think about it and see whether we can make it clearer.

**CHAIR:** The committee also notes that the independent audit report includes an emphasis of matter on the basis of accounting. In relation to fact that the financial report has been prepared on a cash basis are you able to explain to committee why this has been included in this year's report but has not been included in previous years? Will the inclusion of this emphasis of the matter have any impact?

**Mr Miller:** To be honest, I cannot explain why it was not mentioned in previous years. I believe the reason it is included now is that it is quite unusual for financial statements to be prepared on a cash basis. Obviously here we are dealing with an appropriation which is the actual provision of cash to agencies, so it has to be on a cash basis. All the other financial statements of departments and the budget itself are on an accrual basis. My expectation is that the Queensland Audit Office would just be pointing out that this is a cash basis which is appropriate for what we are dealing with.

**Mr Molloy:** Just to emphasise that, for appropriations there is no basis that makes sense other than cash. That is why it is done on that basis.

**CHAIR:** There being no further questions, I take this opportunity to thank you for your hard work. Thank you for your assistance in terms of the committee's inquiry. A proof transcript from today's proceedings will be published and provided to all witnesses once it is available. On behalf of the committee, I again thank you for providing evidence today. I thank Hansard for their assistance. I declare this public briefing closed.

**Committee adjourned at 12.55 pm**