Public Briefing/Hearing Date: 25 September 2017

Briefing Note for Finance and Administration Committee

Inquiry into the Appropriation Bill (No. 2) 2017 and Appropriation (Parliament) Bill (No. 2) 2017

Queensland Treasury

Issues

- The Appropriation (Parliament) Bill (No. 2) 2017 seeks parliamentary approval of supplementary appropriation for unforeseen expenditure incurred by the Legislative Assembly and parliamentary service in the 2016-17 financial year of $2.411 million.
- The unforeseen expenditure incurred by the Legislative Assembly and parliamentary service primarily relates to additional funding for the Coal Workers' Pneumoconiosis Select Committee and increases in salaries for Members of Parliament; and increased funding to upgrade lifts in the Parliamentary Annexe and the Parliamentary information technology systems.
- The Appropriation Bill (No. 2) 2017 seeks Parliamentary approval of supplementary appropriation for unforeseen expenditure incurred by five departments in the 2016-17 financial year of $2.270 billion.
- Of the total $2.273 billion (including departments and Legislative Assembly), $1.068 billion (or approximately 47%) was incurred by Queensland Treasury. Although called 'expenditure', unforeseen expenditure can also relate to the additional appropriation provided to Treasury for repayment of debt.
- Queensland Treasury repaid $1.032 billion of General Government debt, primarily enabled through increased royalty revenue associated with the spike in coal prices in late 2016. While not foreseen at the time of the 2016-17 Budget, this level of debt repayment was largely consistent with the estimated actual $1.114 billion debt repayment for 2016-17 identified in the 2017-18 Budget.
- This reduction in debt provided capacity to fund additional capital projects across the forward estimates in the 2017-18 Budget.
- The remaining unforeseen expenditure incurred by departments (excluding Legislative Assembly) includes:
  - $853.777 million for the Department of Energy and Water Supply mainly due to new Commonwealth funding for the National Water Infrastructure Development Fund and the Nullinga Dam Feasibility Study; new State funding for the Regional Business Support Package and the Digital Electricity Meters for Low Income Regional Residents Project; and increased funding required to maintain the Government's uniform electricity tariff policy and the Powering Queensland Plan;
  - $299.679 million for the Department of Infrastructure, Local Government and Planning mainly due to increased funding for the Works for Queensland program; Indigenous water and wastewater infrastructure program and Cross River Rail Delivery Authority; and on-passing to local governments of Commonwealth grants brought forward from 2017-18;

- $48.613 million for the Department of Housing and Public Works mainly due to timing adjustments for the transfer to the Consolidated Fund of the net proceeds from the sale of surplus non-residential Government properties and the transfer relating to the Queen's Wharf Precinct Integrated Resort Development Land and Residential Land premiums;
- $0.026 million for the Office of the Inspector-General of Emergency Management mainly due to increases in rental costs.

Background

Summary of CFFR Process

- At the end of every financial year, Treasury prepares the Consolidated Fund Financial Report (CFFR), which is audited by the Auditor-General and tabled in Parliament.
- While the Budget documentation, including departmental Service Delivery Statements, are prepared on an accrual basis, consistent with the Uniform Presentation Framework, appropriation to departments is a cash item. Accordingly, the CFFR is prepared on a cash basis. The CFFR includes a Statement of Appropriation (SoA) for each department and a summary of cash movements of the Consolidated Fund Operating Account and Investment Accounts.
- The appropriation limit for each department is set by the annual Appropriation Bills as part of the Budget process. For example: the Appropriation Bills 2016-17 set the amount that was expected to be appropriated from the Consolidated Fund to each department for the 2016-17 financial year.
- The approved appropriation limited is adjusted for any machinery-of-Government (MoG) changes occurring throughout the financial year. Pursuant to section 79 of the *Financial Accountability Act 2009* (FA Act), Governor in Council approval is sought to make these adjustments, which are shown as "Transfers s79" in the SoA in the CFFR.
- After the end of the financial year, Treasury identifies the actual amount of cash appropriated to each department.
- The actual amount is then compared against the appropriation limit as per the original Appropriation Bills (adjusted for MoGs where relevant) to identify differences in appropriation for each department. These differences, which reflect either higher or lower levels of appropriation from the Consolidated Fund, are calculated for each 'heading' as well as the total Vote (approved appropriation) for each department. Headings are individual line items within the total Vote, being 'departmental services', 'equity adjustments' and 'administered items'.
- Where the actual total Vote amount is less than the appropriation limit, the difference is considered to be a 'lapsed' appropriation. Where the actual Vote amount is more than the appropriation limit (or adjusted appropriation limit), the difference is considered to be unforeseen expenditure.
- However, where there are some headings within a department's total Vote that have a lapse and other headings within the same department that have unforeseen expenditure, transfers are made between headings so that only a net lapse or a net unforeseen expenditure for the department is identified in the SoA.

- These transfers between heading are made with the Treasurer's approval pursuant to section 33 of the FA Act and are shown as 'Treasurer's Transfers section 33 in the SoA in the CFFR.
- The explanatory notes to the SOA presented in the CFFR provide the explanations for any lapses or unforeseen expenditure for each heading, as well as identifying any transfers between headings.
- In contrast, the explanatory notes that accompany the Supplementary Appropriation Bills relate only to unforeseen expenditure, while still being consistent with the explanations provided in the CFFR.

Requirement for parliamentary approval

- No further action is required for lapses. However, pursuant to the *Queensland Constitution*, appropriation from the Consolidated Fund can only be made under an Act of Parliament. Therefore, parliamentary approval is required for the unforeseen expenditure.
- Appropriation from the Consolidated Fund is calculated individually for each department. As such, parliamentary approval is required for departments which incur unforeseen expenditure even though the whole-of-Government actual appropriation may be less than the total approved appropriation limit.
- The Supplementary Appropriation Bills 2017 are seeking parliamentary approval for supplementary appropriation for the departments which incurred unforeseen expenditure.