FINANCE AND ADMINISTRATION COMMITTEE

Members present:

Mr PS Russo MP (Chair)
Mr RA Stevens MP (Deputy Chair)
Mr LP Power MP

Staff present:

Ms A Honeyman (Committee Secretary)
Ms H Rae (Assistant Committee Secretary)
Ms N Ryan (Committee Support Officer)

PUBLIC BRIEFING—INQUIRY INTO THE APPROPRIATION (PARLIAMENT) BILL (NO. 2) 2017 AND THE APPROPRIATION BILL (NO. 2) 2017

TRANSCRIPT OF PROCEEDINGS

MONDAY, 25 SEPTEMBER 2017

Brisbane

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Committee met at 1.47 pm

CHAIR: Good afternoon. I declare open the Finance and Administration Committee public briefing regarding the committee's inquiry into the Appropriation (Parliament) Bill (No. 2) 2017 and the Appropriation Bill (No. 2) 2017. My name is Peter Russo, member for Sunnybank and chair of the committee. With me today are Ray Stevens MP, member for Mermaid Beach and deputy chair and Linus Power, member for Logan. Other members of the committee not present today are David Janetzki MP, member for Toowoomba South, Steve Minnikin MP, member for Chatsworth, and Jo-Ann Miller MP, member for Bundamba.

On 5 September 2017 the Treasurer and Minister for Trade and Investment, the Hon. Curtis Pitt MP, introduced the bills into the Legislative Assembly. The bills were referred to the committee for examination and report by 11 October 2017. Today, officers from the Queensland Treasury will brief the committee on the bills. Today's briefing is a proceeding of the parliament and subject to the standing rules and orders of parliament. It is recorded and broadcast live on the parliament's website. Media may be present and are subject to my direction. The media rules are available from the staff. All those present today should note that it is possible you might be filmed or photographed during the proceedings. I ask everyone present to turn their mobile phone off or to silent. Only the committee and invited officials may participate in the proceedings. A person may be excluded from the hearing at my discretion or by order of the committee. The program has been published on the committee's web page and is available from committee staff. I welcome Treasury staff and invite you to make an opening statement after which committee members may have some questions.

MOLLOY, Mr Dennis, Assistant Under Treasurer, Shareholder and Structural Policy Division, Queensland Treasury

NEWBY, Mr David, Director, Whole-of-Government Reporting, Queensland Treasury

RAYNER, Ms Alison, Deputy Under Treasurer, Economics and Fiscal Coordination, Queensland Treasury

Mr Molloy: Good afternoon. Thank you for the opportunity to be here today to discuss the Appropriation (Parliament) Bill (No. 2) 2017 and Appropriation Bill (No. 2) 2017. The purpose of the bills is for the approval of supplementary appropriation for unforeseen expenditure incurred in 2016-17.

Unforeseen expenditure is expenditure from the Consolidated Fund above the amount approved via appropriation bills introduced annually with the budget. In this instance, the relevant appropriation bills are those introduced in June 2016 alongside the 2016-17 budget. It is also important to remember that although called 'expenditure', unforeseen expenditure can also relate to additional appropriation which is provided to Treasury for repayment of debt. Under the Financial Accountability Act 2009, unforeseen expenditure may be authorised by the Governor in Council on the recommendations 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 is tabled. There are two main reasons for this: first, to facilitate timely consideration of supplementary appropriation by parliament and, second, because the Consolidated Fund financial report indicates additional details of appropriation paid to departments that supports parliament's consideration and debate of the bills. I note the Treasury has provided the committee with a written briefing summarising the Consolidated Fund financial report which I trust has met the needs of the committee.

I will now discuss the bills in detail. The Appropriation (Parliament) Bill (No. 2) 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 primarily relates to additional funding for the Coal Workers' Pneumoconiosis Select Committee and increases in salaries for members of parliament following the Queensland Independent Remuneration Tribunal's determination in August 2016. There is additional funding to upgrade lifts in the parliamentary annexe and to upgrade the parliamentary IT systems, including the broadcast of proceedings and members video on demand.

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. This is made up of $1.068 billion for Queensland Treasury, mainly due to repayment of general government debt, which was enabled by increasing royalty revenue associated with the spike in coal prices in late 2017; $853.77 million for the Department of Energy and Water Supply, mainly due to the $771 million Powering Queensland plan; along with new Commonwealth funding for the national water infrastructure development fund and Nullinga Dam feasibility study. There is new state funding for the regional business support package, the digital electricity metres for low income regional residents project and increased funding required to maintain the government's uniform electricity tariff policy.

Turning to the next item, $299.679 million went to the Department of Infrastructure, Local Government and Planning, mainly due to increased funding for the Works for Queensland program, Indigenous Water and Waste Water infrastructure program and the Cross River Rail delivery authority and on-passing to local governments of Commonwealth grants brought forward from 2017-18 into the previous year. There is also $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. There is also a small amount of $0.026 million for the Office of Inspector-General of Emergency Management, mainly due to increases in rental costs.

In summary, almost half of total unforeseen expenditure was incurred by Queensland Treasury, which primarily related to debt repayment. Approximately 38 per cent of total unforeseen expenditure was incurred by the Department of Energy and Water Supply, which primarily related to the Powering Queensland plan and the Energy Queensland community service obligation under the uniform tariff policy. There were no additional administrative costs in implementing the bills as they seek approval for expenditure incurred in the 2016-17 financial year. Thank you again for the opportunity to discuss with you the supplementary Appropriation Bills 2017 and I now welcome questions.

Mr STEVENS: Just so that I am clear—and I do understand that these are all legitimate expenditures incurred and the reality of your appropriated amount as opposed to the cash amount delivered forward—I am a little bit caught out by the timing. Why has it come to September to draw these matters to the parliament's attention? They are significant amounts of money that were not accounted for in the previous budgetary process around June and July. Could you please edify why these significant amounts—out of a $58 billion budget, it is $2.2 billion in terms of extra expenditure from departments. Why is there a lapse in time for that magnitude of expenditure?

Mr Molloy: This is the practice that has been in place for a number of years. In fact, if we were to go back prior to that, the difference was 12 months greater than what it is now. To understand why there is a difference, which goes to the substance of your question, at the time we prepare the budget—which was a June budget obviously—we do not know the actuals. We have an estimated actual but we do not have an actual. We do not know what that actual is until we get a little way into the next financial year and it is at that point when we are able to identify with confidence and have gone through with the Auditor-General what the level of the unforeseen expenditure actually was.

It is the case though that, if we look at the 2017-18 budget, one thing that is clear from that budget even when we look at that 2016-17 year, is the fact that the surplus was to be bigger than what had been expected in 2015-16. That was apparent for the 2016-17 year and reflected the unexpected strength of the coal price, particularly the coking coal price, so that fed through into a higher operating surplus. That was definitely identified in the 2017-18 budget as was the other key component here, the government's commitments in terms of power prices and that $770 million commitment.

In terms of the technicality of the appropriation, that does not become apparent until we get later into the financial year. There are a number of very deliberate processes we then must go through in terms of getting signoff for all of that. That does take a little bit of time but, again, if we contrast it to the arrangements that would have been in place five or six years ago, there has been a very substantial improvement in terms of the timeliness and the accountability of the supplementary appropriation process compared to what had existed previously.

Mr STEVENS: In the back of my mind I still have a question mark on the size of the expenditure in relation to repayment of debt, $1 billion. When working out a budget in June for 2017-18 you would be sitting there saying, 'Gee whiz, this is the coal price, this is our royalty, we will allocate this amount of money.' You would know these things pretty well in June. For you to then find out that you now have $1,000 million spare in terms of royalties to pay down, why was it not apparent earlier so we could have those discussions at budget time?

Mr Molloy: I will answer that even more directly than I did previously, because obviously it is a point of some confusion. When talking about supplementary appropriation for 2016-17, we are talking about how things varied compared to the 2016-17 budget estimate. When we got to the 2017-18 budget we did have a revised 2016-17 estimated actual which was very much alive to the fact that the coking coal price was a lot higher and that the government had made the policy decision to contribute money under its energy plan. That was very much reflected in the 2017-18 budget for the 2016-17 estimated actual year. That was done, it did pick those things up, but what we are talking about here today and what the bill relates to goes back to that original 2016-17 budget and how things varied from that.

Mr STEVENS: It is mopping up, if you like, the balancing figures in the budget of 2016-17?

Mr Molloy: We are going back to 2016-17 and we did not anticipate, and we are not Robinson Caruso there, that the coking coal price would do what it did. In addition to that, at the 2016-17 budget obviously we were not aware at that time that the government would make a policy decision to contribute that extra money under the energy program, that $770 million. That decision was made well into the 2016-17 year. We were not able to anticipate that. It is easy for there to be some confusion as to how all these things relate together, but the thing that I find really helpful is when talking about supplementary appropriation we are going back to what was it at the previous budget.

Mr STEVENS: Correct. I got all that.

Mr POWER: Just for interest, and it might be academic, but how do the other states and the Commonwealth deal with this budget tidying up?

Mr Molloy: Everyone has to go through a process of some sorts to do this. Everyone has their own particular take on it. At the time, the previous government chose to approach the supplementary appropriate arrangements in this way. It was considered at the time that that was probably the best balance between making sure we had fairly contemporary information and at the same time making sure we had all the necessary approvals and signoffs along the way. It is fair to say all jurisdictions have to deal with it but all do so in slightly different ways.

Mr Newby: I do not know the details of it, but they all have different quirks to their legislation.

Mr STEVENS: There was $36 million in that repayment to Treasury. Where did that go? You paid $1.032 billion to general government debt. The Treasury had $1.068 billion and it says it relates to additional appropriation for repayment of debt intimating that it is repayment of debt, but there is $36 million missing from those matters? Where have you spent that? On tea and coffee?

Mr Molloy: No, if we go to the full difference for Treasury-

Mr Newby: Part of the issue is that there are a number of movements going on in these numbers. We are trying to pull out the main differences, but in any one of these departments there are a great number of ups and downs and back and forth between them. I can take that question on notice and get back to you on it.

Mr Molloy: To elaborate on David's answer, across the various agencies there are lots of transactions occurring. For the purpose of the reporting, we net out and identify the biggest ones and clearly in the case of Treasury it is that debt repayment that dominates that figure.

Mr Newby: In each of the agencies there are an enormous number of expenses.

Mr STEVENS: The $36 million was not spent in Treasury; it is spent in other departments? It is not Treasury department expenditure for Treasury department purposes? It is in for other departments' purposes?

Mr Newby: We are just trying to pick out the big movements. There are other movements going on.

Mr Molloy: All of the variations in borrowings have to come back through Treasury.

Mr Newby: Treasury is the one that carries the bulk of the borrowings of the state so the Consolidated Fund does not have the borrowings. When we go to repay borrowings we need to pass money from the Consolidated Fund to Treasury.

CHAIR: Just dealing with the Appropriation (Parliament) Bill (No. 2) 2017 on page five, under 'Controlled items, departmental services', I think in your opening you did talk about what the $1.078 million related to; is that correct?

Mr Molloy: There are obviously various documents here so I will just check exactly what page five you are talking about.

CHAIR: Schedule 1, under 'department services' there is the figure. Are you able to say to what that refers?

Mr Molloy: In the opening we were identifying what were the drivers for that. There were some salaries for parliamentarians. Lifts would have been more in the equity adjustment line rather than the wages. It is all drawn from those components. There are some components that relate to operating funding, and there are those that relate to equity, which are lifts for example.

CHAIR: That is in the second line?

Mr Molloy: That is right. There is an equity adjustment which relates to anything that is of a capital nature, so lifts would be the key bit of that. Anything to do with wages and salaries comes through that departmental services line.

CHAIR: With the equity adjustment, is anything else included other than the lifts?

Mr Molloy: I would expect there would be some things.

Mr Newby: There is some upgrade to the IT systems of parliament. Under departmental services is also the pneumoconiosis committee.

CHAIR: Is that in the equity adjustment or in departmental services?

Mr Newby: The pneumoconiosis would be in the departmental services.

Mr Molloy: We are fairly confident that it would be all in departmental services.

CHAIR: The equity adjustment is only for the lifts and the IT component.

Mr Molloy: Yes and the IT component

CHAIR: That concludes this briefing. Thank you for your participation today and for providing the written briefing. I thank Hansard for their help today and also the secretariat. A proof of the transcript of these proceedings will be provided to you for correction and available on the committee's parliamentary website in due course. There was one question on notice.

Mr Newby: Were you looking for to us respond on that?

CHAIR: Yes, the deadline is this Friday, 29 September, at midday. Thank you. I declare this hearing closed.

Committee adjourned at 2.11 pm