Speech by

Mrs LIZ CUNNINGHAM

MEMBER FOR GLADSTONE

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FINANCIAL ADMINISTRATION LEGISLATION AMENDMENT BILL

Mrs LIZ CUNNINGHAM (Gladstone—IND) (3.50 p.m.): I will make a couple of comments and then ask the Treasurer a couple of questions in relation to the Bill. When local government transferred from cash accounting to full accrual accounting, I recall that it required quite a significant mind shift for all involved, particularly the staff. Now that it is a couple of years down the track, people have become much more accustomed to it. Many members have a lot more experience than I, but I have no doubt that many of us will go through a significant transition in understanding the way that the accounting is put forward.

One thing that members of the community find difficult with Governments across-the-board—and this is not a party political comment—is being able to clearly monitor the promises that are made at election time and seeing the realisation of those promises. If Managing for Outcomes is a way to better clarify the achievement of the promises that Governments make, that is a step forward for the community, but only time will tell.

One of the major things for local government under the full accrual accounting process was the full funding of all liabilities—superannuation, long service leave and so on. One of the difficulties that local government had, which transfers across in a slightly different form with the State Government, was knowing how depreciation was going to be funded. I have raised this issue in the meetings that I have had with the Treasurer and his officers and I continue to raise it. It is fine to fully fund depreciation of an asset that will conceivably have to be replaced in the future. However, it creates a problem if one fully funds the depreciation on an asset that conceivably will not ever be replaced. For example, if a dam structure was lost in one fell swoop, there would be higher priorities than replacing the dam. We would be looking for the community downstream which, in Gladstone's case, would have been swept out to one of the islands. The priority would not be funding the full replacement of the dam structure.

I do not have a problem with funding significant maintenance. However, depending on the way that depreciation is structured, it raises the spectre of a significant account of money being held aside on a regular basis—that is, dollars that cannot be spent on immediate urgent needs—and that money is withheld on the basis of the requirement under accrual accounting to fully fund depreciation. Is there some flexibility in the way that that decision is made? Over time, I would be interested to see how the Government funds its depreciation and on what aspects and assets the decision is made to fully fund.

The Bill states that the financial operations of a department will be separated from the Consolidated Fund, which will record whole-of-Government cash flows. Departments will remit taxes and other State revenue to the Consolidated Fund, retain control of revenue such as user charges and receive appropriations from the Consolidated Fund. While I have not had a detailed briefing or received any detailed information on this issue, it does concern me. I give the example of a hospital in my electorate. The hospital is funded out of the Consolidated Fund for $X in the year. Part of the responsibilities that that hospital fulfils in its co-location arrangement is to plate meals for the private hospital that occupies the same block of land. It is my understanding, and I can be corrected if I am wrong, that the receipts for that work do not go to the local hospital; they go to the Consolidated Fund. The local staff have to be paid from the local hospital's funds and that money is never reimbursed, because the money goes back to the Consolidated Fund. I do not understand the logic in that. I do not understand how one could say that the local hospital is being funded for its operations over a 12-month period and that this activity is part of those operations, yet the money received to cover the cost of the job does not go back into the local coffers but ends up in consolidated revenue. That is not the only example, but it is one that I raise. Will that be addressed or remedied under this new accounting system?

Proposed Part 1A—Charter of Social and Fiscal Responsibility—section 6C(c) states—

"... there must be equity relating to the raising of revenue, delivery of government-funded services and allocation of resources, and between present and future generations ..."

As a general statement, I think everyone would agree—and no offence is intended— that many of these are motherhood statements. Because of the generality of the document that has been put forward, they must be. However, one could query how that balance will be achieved. One of the basic rules that could be used is that loans will not be raised today against a future generation unless that future generation will enjoy the asset. It must be a capital expenditure so that we do not put the future generation in debt for an asset or a budget allocation that does not have long-term benefit to it. Is that the sort of thing that the Treasurer meant?

Mr Hamill: Yes.

Mrs LIZ CUNNINGHAM: Under the heading "Amendment and withdrawal of charter", the Bill states—

"6E.(1) The Treasurer may amend, or withdraw and replace, the charter.

(2) The amendment does not take effect until it is tabled ...

(3) The withdrawal does not take effect until the replacement charter is tabled ...

(4) If the charter is amended under this section, a reference in this part to the charter includes the charter as amended."

What would predicate those changes? What sort of changes or altered circumstances would predicate a change to the charter?

The next heading states, "Treasury employees not to give comments or cost estimates during election period". I noticed that in the last couple of State elections that has occurred. I understand the rationale behind what the Treasurer is trying to achieve, which is to try to keep Treasury non-party political. However, over succeeding election periods, Treasury costings are used to show that election promises from one side or the other, or both, are achievable, affordable and realistic. Therefore, does that mean that the political parties that do get costings will get them externally? Will they have to get private accountancy companies to cost those funds? How will those external accountancy companies know whether they can be funded, given that they will not have a detailed understanding of the State's inherited commitments or projected commitments, which is information that the Treasury has? I have no problem with depoliticising Treasury, but I wonder how election promises will ever be validated as far as costings are concerned without the detailed information that Treasury has.

It is proposed that Trust and Special Funds will move from the Treasurer's portfolio and will come under the control of the various departments. What will be the advantage to the community and the departments of that shift?

The only other element that I wish to raise concerns a term that is repeated in a couple of places. When viewed in isolation, there is no problem with it. However, section 36 mentions that as far as possible, having regard to the limits of the accountable officer's powers and control, reasonable value should be obtained for moneys expended for delivering departmental outputs and purchases, developing and augmenting assets of the department and so on. That concept is also replicated in a number of other places where mention is made of "value for money".

Recently, the Minister for Public Works and Housing held seminars around the State on tendering and the need to ensure that products that can be purchased locally are purchased locally. I think everybody welcomes opportunities for local companies to benefit from Government expenditure in local areas. However, that concept is not necessarily expressed in the term "best value for money", because it is not just that element that should be considered. It should be about obtaining the best value for money and, at the same time, considering the impact on the community.

Mr Schwarten: That's why the definition is in the Bill. It's still value for money; it's how you define it.

Mrs LIZ CUNNINGHAM: That is right. However, the Bill frequently mentions "best value for money". It appears to be based only on achieving the best purchase for the amount of dollars expended, which is a very tight definition. The best value for money in south-east Queensland may not represent the best value for money in Kowanyama. Perhaps we should factor into the notion of "best value for money" such things as social infrastructure development or the retention of social infrastructure through supporting local stores. I ask the Minister: how much flexibility is there in respect of the term "best value for money"?