Parliamentary Committees

Appropriation (Parliament) Bill (No. 2) 2017 and Appropriation Bill (No. 2) 2017

Report No. 48, 55th Parliament

Finance and Administration Committee

October 2017

Finance and Administration Committee

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Acknowledgements

The committee acknowledges the assistance provided by Queensland Treasury.

I commend the committee's report to the House.

Peter Russo MP

Chair

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1 Introduction

1.1 Role of the committee

The Finance and Administration Committee (committee) is a portfolio committee of the Legislative Assembly which commenced on 27 March 2015 under the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly.[1]

The committee's primary areas of responsibility include:

- Premier, Cabinet and the Arts
- Treasury and Trade and Investment, and
- Employment, Industrial Relations, Racing and Multicultural Affairs.

Section 93(1) of the *Parliament of Queensland Act 2001* provided that a portfolio committee is responsible for examining each bill and item of subordinate legislation in its portfolio areas to consider:

- the policy to be given effect by the legislation
- the application of fundamental legislative principles, and
- for subordinate legislation – its lawfulness.

The Appropriation (Parliament) Bill (No. 2) 2017 and the Appropriation Bill (No. 2) 2017 (the Bills) were introduced into the House and referred to the committee on 5 September 2017. In accordance with Standing Order 137, the House declared the Bills urgent and ordered the committee to report to the Legislative Assembly by 11 October 2017.

1.2 Inquiry process

The committee sought and received written advice from the department and held a public briefing with Queensland Treasury on 25 September 2017 (see **Appendix A**). No submissions were received on the Bills.

1.3 Policy objectives of the Bills

The Bills would authorise the Treasurer to pay the specified amounts in each Bill, from the consolidated fund, for unforeseen expenditure for the financial year starting on 1 July 2016.

1.4 Should the Bills be passed?

Standing Order 132(1) requires the committee to determine whether or not to recommend the Bills be passed. After examination of the Bills the committee recommends that the Bills be passed.

Recommendation 1

The committee recommends the Appropriation (Parliament) Bill (No. 2) 2017 be passed.

Recommendation 2

The committee recommends the Appropriation Bill (No. 2) 2017 be passed.

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[1] *Parliament of Queensland Act 2001*, section 88 and Standing Order 194.

2 The Consolidated Financial Fund Report

The *Financial Accountability Act 2009* (the Act) sets out the Treasurer's responsibilities with regard to the Consolidated Fund and Consolidated Fund reporting.

The supplementary appropriations sought in the Bills are based on the Consolidated Fund Financial Report 2016-17 (CFFR). The CFFR was tabled by the Treasurer when he introduced the Bills.

Section 79 of the Act allows the Treasurer to redistribute funding after machinery of government change. Section 79 of the Act transfers are specifically used to transfer appropriations when the government restructures the departments or moves services between the departments. The CFFR does not set out any transfers under section 79 of the Act for 2016-17.

Section 33 of the Act allows the Treasurer to make transfers of appropriation between headings within a department's appropriation. The transfers made under section 79 and section 33 cannot increase the total amount of the appropriation approved by parliament.

Under section 29 of the Act, the total amount appropriated for a department for a financial year under an annual appropriation act is available for the Treasurer to pay to the department in the financial year or within a further 2 weeks. If all the available amount is not paid to the department within this time frame, the unpaid amount of the appropriation lapses. Technically lapsed appropriations are not paid to the departments from the Consolidated Fund. Appropriation or unforeseen expenditure is paid to the level required to meet the expenditure of the departments. If departments do not require the funding to meet expenditure commitments, it is not drawn out of the Consolidated Fund.

Unforeseen expenditure refers to expenditure authorised by the Governor in Council, under section 35 of the Act, to be made in advance of a parliamentary appropriation. Such authorisation may be given for expenditure where there is no appropriation, or there is an appropriation but the making or charging of the expenditure to a department's vote would mean that the amount allocated to the vote would be exceeded. Unforeseen expenditure occurs when a department exceeds its approved vote and the Treasurer needs to have the additional payment from the Consolidated Fund approved.

The department provided some background on the process for the introduction of supplementary appropriation bills:

> *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.*[2]

[2] Public hearing transcript, Brisbane, 25 September 2017, p 1.

3 Examination of the Bills

The Bills would authorise the Treasurer to pay amounts from the Consolidated Fund for unforeseen expenditure of the Legislative Assembly and for particular departments (as set out in Schedule 1 of the Appropriation Bill (No. 2) 2017) for the financial year starting 1 July 2016.

The Appropriation (Parliament) Bill (No. 2) 2017 proposes to authorise an amount of $2.411 million for unforeseen expenditure for the Legislative Assembly.

The Appropriation Bill (No. 2) 2017 proposes to authorise an amount of $2.270 billion for unforeseen expenditure for the departments included at Schedule 1 of the Bill.

3.1 Unforeseen expenditure in 2016-17

Appropriation (Parliament) Bill (No. 2) 2017 – Legislative Assembly and Parliamentary Service

In his explanatory speech, the Treasurer detailed the reasons for the unforeseen expenditure for the Legislative Assembly is due to additional funding for the Coal Workers' Pneumoconiosis Select Committee, increases in salaries for members of parliament following the Queensland Independent Remuneration Tribunal's determination in August 2016, increased funding to upgrade lifts in the Parliamentary Annexe and to upgrade parliamentary IT systems including the broadcast of proceedings and members' video on demand.[3]

Appropriation Bill (No. 2) 2017 – Departments

With respect to the unforeseen expenditure of the departments set out in the Schedule of the Appropriation Bill (No. 2) 2017, the Treasurer stated:

> *Of the total amount of $2.270 billion, $1.068 billion—or almost half of it—was incurred by Queensland Treasury. Treasury repaid $1.032 billion of general government debt. 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*
>
> *Unforeseen expenditure incurred by other departments related to a range of key Palaszczuk government initiatives including expenditure for the Powering Queensland Plan, the Works for Queensland program, and the Cross River Rail Delivery Authority. The Powering Queensland Plan is the government's $1.16 billion strategy to stabilise electricity costs, deliver jobs and investment, and lead the transition to a clean energy sector. The surplus recorded in June's budget for 2016-17 was $2.8 billion, the biggest in a decade. That surplus may have been $770 million higher. However, to provide immediate electricity bill relief, the government has chosen to invest $770 million to cover the cost of the Solar Bonus Scheme for the next three years.*[4]

The table below sets out all lapsed appropriations and unforeseen expenditure for the financial year starting 1 July 2016. [5]

3 Queensland Parliament, Record of Proceedings, 5 September 2017, p 2614.

4 Queensland Parliament, Record of Proceedings, 5 September 2017, p 2615.

5 Queensland Treasury, *Consolidated Fund Financial Report 2016-17*, September 2017, p 12.

	Appropriation Acts 2016 $'000	Treasurer's transfers $'000	Lapsed appropriation (s29) $'000	Unforeseen expenditure (s 35) $'000	2017 actual $'000	2016 actual $'000
Controlled items						
Department services	34,366,828	(250,827)	(797,635)	32,502	33,350,823	31,784,466
Equity adjustments	1,418,892	178,844	(285,192)	49,937	1,362,481	386,753
Administered items	11,923,751	72,028	(106,344)	2,190,426	14,079,861	18,791,680
Vote	**47,709,471**	**-**	**(1,189,171)**	**2,272,865**	**48,793,165**	**50,962,899**

Table 1 : Unforeseen expenditure for all departments in 2016-17

The table below sets out the unforeseen expenditure per department for the 2016-17 financial year.[6]

Department	***Department services* $'000**	***Equity adjustments* $'000**	**Administered items $'000**	**Total $'000**
Department of Energy and Water Supply	700	-	853,077	853,777
Department of Housing and Public Works	-	48,613	-	48,613
Department of Infrastructure, Local Government and Planning	30,689	-	268,990	299,679
Legislative Assembly and Parliamentary Service	1,087	1,324	-	2,411
Office of the Inspector-General of Emergency Management	26	-	-	26
Queensland Treasury	-	-	1,068,359	1,0686,359
Total	**32,502**	**49,937**	**2,190,426**	**2,272,865**

Table 2 : Unforeseen expenditure per department in 2016-17

The department advised the committee of the reasons for the unforeseen expenditure in 2016-17:

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

6 Queensland Treasury, *Consolidated Fund Financial Report 2016-17*, September 2017, pp 8-12.

> *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.*[7]

Additionally, the department provided a written response to a question at the hearing regarding the unforeseen expenditure of Queensland Treasury, aside from the debt repayment of $1.032 billion:

> *The remainder of the unforeseen expenditure of $36 million is made up of a multitude of items, both positive and negative. However, the stand out item is additional funding for the First Home Owner Grant Scheme ($31 million). There was higher than budgeted demand for this grant when it was raised from $15,000 to $20,000 per claim as a measure in the 2016-17 Budget.*[8]

<u>*Committee comment*</u>

The committee notes the advice from the department regarding the unforeseen expenditure and recommends the Bills be passed.

7 Public briefing transcript, Brisbane, 25 September 2017, p 2.

8 Correspondence from Queensland Treasury, *Response to question taken on notice*, 28 September 2017

4 Compliance with the *Legislative Standards Act 1992*

4.1 Fundamental legislative principles

Section 4 of the *Legislative Standards Act 1992* states that 'fundamental legislative principles' (FLP) are the 'principles relating to legislation that underlie a parliamentary democracy based on the rule of law'. The principles include that legislation has sufficient regard to:

- The rights and liberties of individuals, and
- The institution of Parliament.

The Committee examined the Bills' consistency with FLPs and did not identify any FLP issues in the Appropriation (Parliament) Bill (No. 2) 2017 or the Appropriation Bill (No. 2) 2017.

4.2 Explanatory notes

Part 4 of the *Legislative Standards Act 1992* relates to explanatory notes. It requires that an explanatory note be circulated when a bill is introduced into the Legislative Assembly, and sets out the information an explanatory note should contain. Explanatory notes were tabled with the introduction of the Bill.

The explanatory notes for the Bills contain the information required by Part 4 of the *Legislative Standards Act 1992* and a reasonable level of background information and commentary to facilitate understanding of the aims of the Bills.

Appendix A – List of witnesses at public briefing

Queensland Treasury

- Ms Alison Rayner, Deputy Under Treasurer, Economics and Fiscal Coordination
- Mr Dennis Molloy, Assistant Under Treasurer, Shareholder and Structural Policy Division
- Mr David Newby, Director, Whole-of-Government Reporting