



Appropriation (Parliament) Bill (No. 2) 2018 and Appropriation Bill (No. 2) 2018

**Report No. 19, 56th Parliament
Economics and Governance Committee
October 2018**

Economics and Governance Committee

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Abbreviations

the Bills	Appropriation (Parliament) Bill (No. 2) 2018 and the Appropriation Bill (No. 2) 2018
the committee	Economics and Governance Committee
CFFR	Consolidated Fund Financial Report
FA Act	<i>Financial Accountability Act 2009</i>
LSA	<i>Legislative Standards Act 1992</i>
POQA	<i>Parliament of Queensland Act 2001</i>
the Treasurer	Hon Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships

Chair's foreword

This report presents a summary of the Economics and Governance Committee's examination of the Appropriation (Parliament) Bill (No.2) 2018 and Appropriation Bill (No.2) 2018.

The committee's task was to consider the policy to be achieved by the legislation and the application of fundamental legislative principles – that is, to consider whether the Bills have sufficient regard to the rights and liberties of individuals, and to the institution of Parliament.

On behalf of the committee, I thank our Parliamentary Service staff and Queensland Treasury.

I commend this report to the House.



Linus Power MP

Chair

Recommendations

Recommendation 1 **2**

The committee recommends the Appropriation (Parliament) Bill (No.2) 2018 be passed.

Recommendation 2 **2**

The committee recommends the Appropriation Bill (No.2) 2018 be passed.

1 Introduction

1.1 Role of the committee

The Economics and Governance Committee (the committee) is a portfolio committee of the Legislative Assembly.¹ The committee's areas of portfolio responsibility are:

- Premier and Cabinet, and Trade
- Treasury
- Aboriginal and Torres Strait Islander Partnerships, and
- Local Government, Racing and Multicultural Affairs.²

The committee is responsible for examining each bill in its portfolio areas to consider the policy to be given effect by the legislation and the application of fundamental legislative principles.³

On 4 September 2018, Hon Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (the Treasurer), introduced the Appropriation (Parliament) Bill (No. 2) 2018 and the Appropriation Bill (No. 2) 2018 (the Bills), into the Queensland Parliament. The committee was to report to the Legislative Assembly on the Bills by 19 October 2018.

1.2 Inquiry process

The committee agreed to consider both Bills together in one inquiry and provide one report to the Parliament on the Bills.

On 10 September 2018, the committee invited stakeholders and subscribers to make written submissions on the Bills. The closing date for written submissions was 20 September 2018. No submissions were received.

The committee sought and received written advice from Queensland Treasury and held a public briefing with representatives of Queensland Treasury on 17 September 2018. See **Appendix A** for a list of officials who attended the public briefing.

The correspondence from Queensland Treasury and the transcript of the briefing are available on the committee's webpage.

1.3 Policy objectives of the Bill

The objective of the Bills is to seek formal authorisation for the specified amounts in each Bill that the Treasurer paid from the Consolidated Fund for unforeseen expenditure that occurred in the 2017-18 financial year.⁴

Unforeseen expenditure refers to expenditure from the Consolidated Fund in excess of the amount provided by the *Appropriation (Parliament) Act 2017* and the *Appropriation Act 2017*,⁵ and authorised by the Governor in Council to be made in advance of appropriation.⁶

¹ The committee was established on 15 February 2018 under the *Parliament of Queensland Act 2001* (POQA) section 88 and the Standing Rules and Orders of the Legislative Assembly (Standing Orders), SO 194.

² POQA, s 88; Standing Orders, SO 194, sch 6.

³ POQA, s 93(1).

⁴ Explanatory notes, Appropriation (Parliament) Bill (No. 2) 2018 and Appropriation Bill (No. 2) 2018, p 1.

⁵ The *Appropriation (Parliament) Act 2017* was passed on 8 August 2017 and assented to on 25 August 2017; the *Appropriation Act 2017* was passed on 8 August 2017 and assented to on 25 August 2017.

⁶ *Financial Accountability Act 2009*, s 35.

On 19 July 2018 the Governor in Council authorised the unforeseen expenditure that occurred in the 2017-18 financial year. The payment for this expenditure is to be formally authorised under an Act of Parliament in accordance with section 66 of the *Constitution of Queensland 2001*.⁷

According to Queensland Treasury, the unforeseen expenditure of \$500,055,000, comprising of \$5,140,000 incurred by the Legislative Assembly and \$494,915,000 incurred by seven government departments, represents 0.98 per cent of the 2017-18 budgeted appropriation.⁸

1.4 Government consultation on the Bill

For the Appropriation (Parliament) Bill (No.2) 2018 the government consulted with the Legislative Assembly and Parliamentary Service in establishing the appropriation payable to them pursuant to this Bill.⁹

Consultation was undertaken with the relevant government departments in establishing the appropriation payable to them pursuant to the Appropriation Bill (No.2) 2018.¹⁰

1.5 Should the Bill 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) 2018 be passed.

Recommendation 2

The committee recommends the Appropriation Bill (No.2) 2018 be passed.

⁷ Explanatory notes, Appropriation (Parliament) Bill (No. 2) 2018 and Appropriation Bill (No. 2) 2018, p 1; Queensland Treasury, correspondence dated 17 September 2018, p 3.

⁸ Queensland Treasury, correspondence dated 17 September 2018, p 3.

⁹ Explanatory notes, Appropriation (Parliament) Bill (No. 2) 2018, p 2.

¹⁰ Explanatory notes, Appropriation Bill (No. 2) 2018, p 2.

2 Background to the Bills

The supplementary appropriation sought for unforeseen expenditure is based on the Consolidated Fund Financial Report (CFFR), prepared by the Treasurer at the end of every financial year and reported on by the Auditor-General pursuant to the *Financial Accountability Act 2009* (FA Act).

2.1 The Consolidated Financial Fund Report

In accordance with the requirements of the FA Act, the Treasurer tabled the CFFR for 2017-18 with the Bills on 4 September 2018.¹¹

The CFFR outlines the total appropriation paid to each department by the Consolidated Fund for the financial year and provides explanations for each department of any variations from the annual appropriation amount originally approved as part of the 2017-18 Budget. This includes explanations for any unforeseen expenditure that was required during 2017-18.¹²

Queensland Treasury provided the committee with a summary of the CFFR process as follows:

- 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 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 for 2017-18 set the amount that was expected to be appropriated from the Consolidated Fund to each department for the 2017-18 financial year.
- After the end of the financial year, Queensland 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 machinery-of-government changes 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 total Vote amount is more than the appropriation limit (or adjusted appropriation limit), the difference is considered to be unforeseen expenditure.
- 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 approved under the FA Act.
- Since appropriation from the Consolidated Fund is calculated individually for each department, 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.¹³

¹¹ Hon Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Island Partnerships, Queensland Parliament, Record of Proceedings, 4 September 2018, p 2171.

¹² Hon Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Island Partnerships, Queensland Parliament, Record of Proceedings, 4 September 2018, p 2171.

¹³ Queensland Treasury, correspondence dated 17 September 2018, pp 2-4.

3 Examination of the Bills

This section discusses issues raised during the committee's examination of the Bills and, where applicable, the department's response to issues raised.

3.1 Appropriation (Parliament) Bill (No. 2) 2018

Clause 2 of the Appropriation (Parliament) Bill (No. 2) 2018 would authorise the Treasurer to pay \$5,140,000 for the Legislative Assembly and Queensland Parliamentary Service for the financial year commencing 1 July 2017.¹⁴

Queensland Treasury advised that the unforeseen expenditure incurred by the Legislative Assembly and Queensland Parliamentary Service was primarily due to costs associated with the 2017 electoral boundary distribution and state election.¹⁵ Electoral boundary distribution costs relate to the increase in the number of Members of the Legislative Assembly and the provision of related office accommodation and electorate staff. State election costs include factors such as electorate officer severance payments and the Transition Allowance paid to defeated Members.¹⁶

Lower equity adjustments were also applied to offset the additional departmental services.¹⁷

In response to questions from the committee as to whether the 2017 electoral boundary distribution and state election could have been anticipated in the 2017-18 budget, Queensland Treasury representatives stated:

[What] was not known at the time of the 2017-18 budget was the timing of the 2017 election ... the election was held earlier than originally anticipated.

...

*It would have been in the financial year, but when we are talking about additional members' salaries and all their staff, the timing of when that occurs in the financial year has a difference to the overall cost for the financial year.*¹⁸

3.2 Appropriation Bill (No. 2) 2018

In 2017-18, seven departments incurred unforeseen expenditure of \$494,915,000. Clause 2 of the Appropriation Bill (No. 2) 2018 would formally authorise the Treasurer to pay this amount from the Consolidated Fund. The total amount for each department is set out in Schedule 1 of the Bill for the financial year commencing 1 July 2017.¹⁹

In relation to the unforeseen expenditure incurred by the seven departments in 2017-18, 46.2 per cent of total expenditure related to accelerated state and Commonwealth funding for transport infrastructure, including the Bruce Highway upgrade and other state roads. According to the Treasurer, a further significant proportion of the unforeseen expenditure related to the on-passing of Commonwealth funding for financial assistance grants to local government. The remaining unforeseen expenditure related to a range of initiatives, including the Affordable Energy Plan and the Townsville water security enhancement project.²⁰

¹⁴ Appropriation (Parliament) Bill (No. 2) 2018 Bill, cl 2 and schedule 1; explanatory notes, Appropriation (Parliament) Bill (No. 2) 2018, p 3.

¹⁵ The Queensland state general election was held on 25 November 2017.

¹⁶ Queensland Treasury, correspondence dated 17 September 2018, p 1.

¹⁷ Queensland Parliament, Record of Proceedings, 4 September 2018, p 2170

¹⁸ Public briefing transcript, Brisbane, 17 September 2018, p 2.

¹⁹ Appropriation Bill (No. 2) 2018, cl 2 and Schedule 1; explanatory notes, Appropriation Bill (No. 2) 2018, p 3.

²⁰ Hon Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, Queensland Parliament, Record of Proceedings, 4 September 2018, p 2171.

3.2.1 Expenditure by department

Queensland Treasury provided the following information on unforeseen expenditure by department.

Department of Transport and Main Roads (\$231.252 million)

Additional equity adjustments were primarily due to state and Commonwealth accelerated funding for capital programs (including the Bruce Highway upgrade and other state roads), partly offset by timing adjustments to funding the New Generation Rollingstock, Northern Australian Roads program and the Toowoomba Second Range Crossing. Lower departmental services and administered items were also applied to offset the additional equity adjustments.²¹

In respect to timing adjustments, Queensland Treasury advised that the funding of infrastructure projects is complicated and explained that:

The Commonwealth might agree to a schedule of payments. That timing might be varied by them and then obviously if we are spending the money earlier we are probably spending state money first and getting the Commonwealth money [later].²²

The committee sought further information from Queensland Treasury in respect to a breakdown by project of the unforeseen expenditure incurred by the Department of Transport and Main Roads for capital programs in the 2017-18 financial year.

Queensland Treasury provided the following information:²³

The additional unforeseen expenditure required by the Department of Transport and Main Roads in 2017-18 was primarily due to the accelerated delivery of the overall capital program. This additional expenditure represented a timing difference only in the incidence of expenditure for projects and did not represent an increase in project cost.

The main projects for which the accelerated delivery was achieved is indicated in the table below.

Project	Additional expenditure \$M
Bruce Highway	
Bruce Highway, Caloundra Road - Sunshine Motorway	59.5
Bruce Highway, Cooroy to Curra Section A Duplication	28.8
Bruce Highway, Caboolture-Bribie Road to Steve Irwin Way, upgrade to six lanes	14.3
Bruce Highway, Cooroy to Curra Section C (Traveston Road - Keefton Road)	11.9
Bruce Highway, Cooroy to Curra Section D, Keefton Road - Curra	11.9
Rockhampton Northern Access Upgrade (Stage 1)	11.0
National Land Transport Network (excluding Bruce Highway)	
Gateway Motorway North, upgrade to six lanes	36.4
Pacific Motorway (Rochedale South), Miles Platting Road to Rochedale Road (Gateway Merge)	28.5
Warrego Highway, Dalby Western Access Upgrade (Stage 1)	14.1
Warrego Highway, Dalby Eastern Access Upgrade (Stage 1)	11.8

²¹ Queensland Treasury, correspondence dates 17 September 2018, p 2.

²² Public briefing transcript, Brisbane, 17 September 2018, p 4.

²³ Queensland Treasury, correspondence dated 21 September 2018, p 1.

Department of Local Government, Racing and Multicultural Affairs (\$187.947 million)

Additional administered items were primarily due to the Commonwealth Government's prepayment of 2018-19 funding for Financial Assistance Grants to local governments partially offset by the Townsville water security enhancement project, which was reallocated to the Department of Natural Resources, Mines and Energy. Lower departmental services and lower equity adjustments were also applied to offset the additional administered items.²⁴

Queensland Treasury provided the committee with further explanation of the funding process for Commonwealth Financial Assistance Grants during the public briefing on the Bill:

... at the time of the 2017-18 budget the state had budgeted for on-passing the 2017-18 financial assistance grants to local government. When we came to the Commonwealth budget in May 2018 they had brought forward the cash for the 2018-19 financial year and provided that to the state in 2017-18. As the state on-passed that to local governments in 2017-18 that had not been captured in our original Appropriation Bill, so it is in effect a timing issue that the Commonwealth provided funds to the state earlier and so the state provided those funds to local government when we had not originally budgeted to do so.²⁵

Department of Natural Resources, Mines and Energy (\$54.570 million)

Additional departmental expenses were primarily due to funding for the Affordable Energy Plan and Townsville water security enhancement project which was reallocated from Department of Local Government, Racing and Multicultural Affairs. This was partially offset by deferrals relating to the Regional Business Support Package and various Commonwealth programs. Lower equity adjustments were also applied to offset the additional departmental services. Additional administered items were primarily due to additional electricity community service obligation payments related to 2016-17. This was partially offset by timing changes for construction of assets.²⁶

Department of Child Safety, Youth and Women (\$12.479 million)

Queensland Treasury stated in relation to the Department of Child Safety, Youth and Women:

... the additional departmental services are primarily due to funding to support children and young people in care with complex and challenging behaviours, social benefit bonds and timing adjustments from 2016-17, noting that these were partially offset by timing adjustments for other programs.²⁷

Queensland Fire and Emergency Services (\$8.597 million)

Additional departmental services were primarily due to enterprise bargaining agreement provisions and a funding transfer for the Flood Focused Road Safety Campaign from the Public Safety Business Agency.²⁸

Queensland Audit Office (\$0.057 million)

Additional departmental services were primarily due to increases to remuneration expenses.²⁹

²⁴ Queensland Treasury, correspondence dates 17 September 2018, p 2.

²⁵ Public briefing transcript, Brisbane, 17 September 2018, p 3.

²⁶ Queensland Treasury, correspondence dates 17 September 2018, p 2.

²⁷ Public briefing transcript, Brisbane, 17 September 2018, p 3.

²⁸ Queensland Treasury, correspondence dates 17 September 2018, p 2.

²⁹ Queensland Treasury, correspondence dates 17 September 2018, p 2.

Office of the Governor (\$0.013 million)

Additional equity adjustments were due to reallocation from departmental services to equity for restoration works. The offsetting transfer from departmental services was reduced by increased funding for salaries.³⁰

³⁰ Queensland Treasury, correspondence dates 17 September 2018, p 2.

4 Compliance with the *Legislative Standards Act 1992*

4.1 Fundamental legislative principles

Section 4 of the *Legislative Standards Act 1992* (LSA) states that ‘fundamental legislative principles’ 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 has examined the application of the fundamental legislative principles to the Bills. The committee notes the Bills raise no issues of fundamental legislative principle.

4.2 Explanatory notes

Part 4 of the LSA requires that an explanatory note be circulated when a Bill is introduced and sets out the information an explanatory note should contain.

Explanatory notes were tabled with the introduction of the the Appropriation (Parliament) Bill (No. 2) 2018 and the Appropriation Bill (No. 2) 2018. They contain the information required by Part 4 of the LSA and sufficient background information and commentary to facilitate understanding of the Bills’ aims.

Appendix A – Witnesses at public briefing

Queensland Treasury

- Mr Glenn Miller, Assistant Under Treasurer, Fiscal Management
- Mr David Newby, Director, Whole of Government Reporting
- Ms Helen Tompkins, Principal Accountant, Whole of Government Reporting