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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS INQUIRY INTO THE TASMANIAN GOVERNMENT'S SPENDING UNALLOCATED COVID-19 FUNDING MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE ON FRIDAY 21 OCTOBER 2022

CHAIR - Welcome, to you, minister and to your secretary for the Public Accounts Committee review into the COVID-19 related expenditure, particularly focusing on the unallocated funding that was provided in the budget for the last financial year and the current financial year, which I accept we will only be able to talk about in a limited way. I invite you to introduce your secretary and get him to take the statutory declaration.

Mr FERGUSON - Good morning, Chair, Dr Broad, Mr Willie, Mr Tucker and Ms Webb.

I introduce the secretary of the Department of Treasury and Finance, Tony Ferrall. Then I will speak to the committee with some opening remarks.

Mr TONY FERRALL, SECRETARY OF THE DEPARTMENT OF TREASURY AND FINANCE WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

Mr FERGUSON - Thank you, Chair. Thank you for the invitation to be here to discuss the spending in the 2021-22 Treasurer's Reserve to meet the 2021-22 COVID-19 related expenditure. As the committee would recall, the Budget was handed down in August 2021 at a time when there was still uncertainty regarding the COVID-19 pandemic. The health and economic challenges posed by the pandemic were an immediate and real threat to the state even at that time. In response to that set of circumstances, the 2021-22 Budget included a \$150 million allocation to the Treasurer's Reserve to meet expenditure that could not reasonably be foreseen at the time of the development of that budget.

The allocation to the Treasurer's Reserve was substantially more than those made in prior years, particularly to provide flexibility to ensure the Government was able to respond to those emerging issues and the uncertainty presented by COVID-19. The uncertainty of that situation did continue following the publication of the Budget with the emergence of the Omicron variant in late 2021.

The 2021-22 RER published in February this year reflected major new Government expenditure commitments totalling \$227.1 million primarily related to COVID-19. These expenditures were well in excess of the capacity of that Treasurer's Reserve, of \$150 million.

Accordingly, in May 2022 the parliament debated and passed a supplementary appropriation bill for 2021-22 which provided for an appropriation of \$441.7 million from the Public Account. If you segment the COVID-19-related expenditure, my advice is that amount is \$253.6 million of the \$441 million. At the time of preparing the supplementary appropriation bill, a range of agency budget risks and issues that would potentially require funding from the Reserve were being monitored by Treasury as part of its within year budget management processes.

In June 2022, I approved a total of 56 requests for additional funds from the reserve for expenditure totalling \$143.6 million; \$116.5 million of this was for operating services

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expenditure and \$27.1 million was for capital services expenditure. Of that, \$65.1 million, about 45 per cent of that total, was provided for COVID-19 related expenditure.

CHAIR - Is that across operating and capex?

Mr FERGUSON - Yes, it is. I am not sure if there was any capital but it certainly is from that total figure.

Mr FERRALL - I don't think there's any COVID-19 capital.

Mr FERGUSON - It sounds like it was 100 per cent operating and no capital. We'll just confirm that, if that's okay.

Information supporting the supplementary Estimates was provided to the Tasmanian Audit Office earlier this month, including the RAFs from the Treasurer's Reserve. My advice is that by 31 October we will be in a position to publish the 2021-22 Treasurer's Annual Financial Report, as required, which will contain the audited supplementary Estimates statement as well.

I am happy now to submit to your questions and, of course, my expert at the table will take the lead in most cases.

CHAIR - It's just hard to keep up with all the figures and talk about percentages as well as dollar amounts. Can you clarify, minister, of the request for additional funding, you said there was \$143.6 million, I believe, \$116.5 million was opex?

Mr FERGUSON - Yes.

CHAIR - Did you then say that 45 per cent of that was for COVID-19-related -

Mr FERGUSON - Yes.

CHAIR - So, do you have a dollar figure so I don't have to work it out?

Mr FERGUSON - Yes, \$65.1 million of that \$143.6 million was the figure. In my overview, I've tried to provide the committee with the big pieces to help you navigate where you would like to go with exploring this. The way I've looked at it in a high level is that the supplementary appropriation bill provided - of the amount that it appropriated, \$253.6 million, and out of the RAFs you would allocate \$65.1 million if you're just focusing on COVID-19-related -

CHAIR - Yes, which is what we want to do.

Mr FERGUSON - expenditure, yes. I thought it would be helpful to break it down in that way.

CHAIR - From my perspective I'd like you, or the secretary, to provide a breakdown of both the supplementary appropriation funding, \$253.6 million and the \$65.1 million separately, for the RAFs, into the areas. Start with the departmental areas where that funding was expended, with the health, biosecurity, whatever, and then we might go deeper beyond that.

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Mr FERGUSON - You have all of it at the table and if there's fine level detail we might need to go back to agencies, but let's go there.

Mr FERRALL - If I start with the \$65.1 million and break that down, is that okay?

CHAIR - Yes.

Mr FERRALL - At departmental level of the \$65.12 million, there was \$2.3 million which was for Department of Communities; \$51.3 million which was Department of Health; \$110 000 which was Department of Justice; \$1.2 million which was Department of Police, Fire and Emergency Management; \$3.7 -

CHAIR - How much was that one sorry?

Mr FERRALL - It was \$1.2 million; \$3.7 million which was Department of Premier and Cabinet; and nearly \$6.5 million which was Department of State Growth. I can give you details under each of those if -

CHAIR - There was nothing for the Education department?

Mr FERRALL - No.

Mr FERGUSON - Not in the RAFs. There may well have been in the SUPs, but you asked for RAFs first, if we want to follow your lead.

CHAIR - Yes, that's right. We'll stick with the RAFs for now and the breakdown. Does anyone want to ask any particular questions on the RAFs? Just come in, if you want, Shane. I don't mean to ignore you?

Dr BROAD - Sorry, just to be clear, this is in addition to the Treasurer's Reserve of \$150 million?

Mr FERRALL - No.

Mr FERGUSON - No, it's not. Do you want to explain?

Mr FERRALL - This is effectively from the Treasurer's Reserve. This is the COVID-19-related RAFs that are effectively funded from the Treasurer's Reserve.

CHAIR - Okay. Can I ask then for as much detail as you can regarding the breakdown of the \$51.3 million in Health? Not necessarily every mask that was bought and that sort of thing but the high-level areas that Health was supported through the RAF?

Mr FERRALL - So, of the \$51.3 million for Health the detailed information on that is -

Mr FERGUSON - I've got it here.

Mr FERRALL - So, Health had two components to that, which was the Health-managed COVID-19 costs. That was the additional funding required to meet the increased cost of the

state supporting the health system during COVID-19 response and recovery. That related to matters such as vaccinations, testing, hospital and ambulance resources, contact tracing, quarantine, and purchasing PPE and other equipment. The costs reflect the state's share of the cost that was not reimbursed under the National Partnership Agreement for the COVID-19 response. That is \$47.64 million for that component.

The second component is the Winter Strategy and free flu vax program, which was \$3.65 million.

Mr WILLIE - That excludes wages, does it? Wages was a significant component for the state in the vaccinations.

Mr FERRALL - Wages could be in these numbers. These are the costs of those items that Health has reported back to us.

Mr WILLIE – There could be additional wages cost?

Mr FERRALL - Not additional; it would be embedded in that, in terms of the COVID-19.

Mr WILLIE - On top of what they're doing?

Mr FERGUSON - To Mr Willie's question, it would be a major component of each of those, wouldn't it?

Mr FERRALL - Wages are a major component of almost all agencies so, yes, it would be but I don't have the details of a breakdown between wages and other expenditure.

CHAIR - The Winter Strategy would have included the staffing required to administer the vaccinations, which are health professionals, which are workers, yes.

Mr FERRALL - It is also the costs through the pharmacies and the GP clinics as well.

CHAIR - And, obviously, the cost of purchasing the flu vax as well would be in that, yes?

Mr FERGUSON - That is a cover-all cost for each of those initiatives, regardless of its components, yes, taking all of its components into account.

CHAIR - Was the cost of the flu vax subsidised by the Commonwealth at all?

Mr FERGUSON - We wouldn't have that information. It may well not have been because we were actually targeting over and above the National Immunisation Program in some cases. I wouldn't like to provide a definitive answer but this is the cost that Health came to Treasury with, the net cost.

CHAIR - Okay. State Growth is probably the next biggest one, for the RAFs.

Dr BROAD - Sorry, before we go to State Growth, does this take into account possible refunds from the federal government under the COVID-19 response agreement?

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Mr FERRALL - This is the cost to the state after allowing for anything that came back from the Commonwealth.

Dr BROAD - Do we have a figure for how much was spent in total?

Mr FERRALL - No, I don't have that with me.

CHAIR - What was the percentage of the Commonwealth contribution to our COVID-19-related costs?

Mr FERRALL - It was either 55 or 45.

CHAIR - It was around 50 per cent? Someone might know behind you.

Mr FERGUSON - Under the NPA, it was effectively half-half. Usual hospital funding is 45-55. With this particular NPA it was 50-50. I suppose, in preparing for our hearing here today, we're looking at net costs that are being provided out of the public account so we haven't attempted to capture the broader expense, nor offset for revenues received.

Mr FERRALL - There are some components that the state met in terms of COVID-19, costs which would not be eligible for claiming back under the NPA as well. You can't necessarily just pick up the state number and double it to get to the total figure.

CHAIR - You right, Shane, then? I will go to State Growth.

Mr FERRALL - In State Growth, there were effectively four items that broke up their COVID-19 related costs. There was -

Ms FORREST - This is the RAFs, we're talking about? Yes? Just clarifying.

Mr FERRALL - There is the additional AFL games, that was \$2.6 million. There was a live performance support program, that was \$351 000. There was support for Metro Tasmania and passenger transport, which was \$7.05 million. There was the Taste of Summer Festival 2021 and 2022, which was \$3.88 million.

Mr WILLIE - So the business grant program was in the appropriation?

Mr FERRALL - It would be. I'll have to go back. I'll have to find the other if it wasn't.

CHAIR - In a supplementary appropriation. We will come to that one.

Mr FERRALL - Of the \$7 million for Metro, just to correct that, only \$3.09 million of the total Metro Tasmania passenger transport expenditure was COVID-19 related. So, it was not \$7 million, but \$3 million. It is just that it has all been detailed as COVID-19 in this table.

CHAIR - So, \$3.09 million was the COVID-19 related RAFs for Metro and passenger transport.

Ms WEBB - That maths work better to get to the 6.5 overall

CHAIR - Okay, if we can then go to DPAC.

Mr FERRALL - The Department of Premier and Cabinet had \$3.7 million of pandemic leave disaster payments. That was to reimburse the Australian Government the cost of pandemic leave disaster payments made to temporary visa holders residing in Tasmania.

CHAIR - So the Commonwealth made those; we had to reimburse. Is that our component? That was the entire DPAC?

Mr FERRALL - Yes, the \$3.702 million.

CHAIR - Department of Communities?

Mr FERRALL - Department of Communities: there were COVID-19 care packages of \$230 000; COVID-19 Tasmania hotel quarantine extension, \$1 million; pandemic isolation grants, \$850 000; and securing the Hobart Show for 2021, \$250 000.

CHAIR - Then we have Justice. I'm sorry, DPFEM is probably the next one in order of magnitude. Justice is quite small.

Mr FERRALL - Police, Fire and Emergency Management had a COVID-19 coordination centre, \$600 000; then monitoring, containment cost and extended cleaning, \$613 000.

CHAIR - So, this was a RAF for the COVID-19 coordination centre. Wouldn't that have been understood? These are requests for additional funding where the costs were unexpected and unanticipated.

Mr FERGUSON - Or higher than expected, or higher than budgeted.

CHAIR - Right.

Mr FERGUSON - We have a tiny little bit of extra detail there.

CHAIR - Yes, would you mind that?

Mr FERRALL - The COVID-19 coordination centre additional funding was required to meet the costs incurred for the operation of the COVID-19 coordination centre for 2021-22. This is related to salaries for police, including overtime; State Service policy, logistics and coordination staff; and operating costs of the units such as equipment supplies and consumables. It also included costs for the public information unit, which included software, licences and, some contractual payments.

CHAIR - Some of that was unanticipated?

Mr FERRALL - Yes.

Ms WEBB - What does that represent in terms of an increase on what had been budgeted? I am interested to understand to what degree.

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Mr FERGUSON - I understand the nature of the question. This relates to the additional expense above budget. If you like, we could take that on notice.

Mr WILLIE - Is some of that attributable to the Omicron wave? A lot of the modelling was done on Delta. The Kirby Institute -

CHAIR - This is before Omicron we're talking?

Mr FERGUSON - This comes to June 2022.

Ms WEBB - It is across the Omicron wave.

CHAIR - All right, it would be. Sorry.

Mr FERGUSON - This reflected our point in time at 30 June. I don't know at these kinds of hearings - do you put them in writing as well, the questions on notice?

CHAIR - Yes.

Mr FERGUSON - So, we will take it on notice. We have the rough number, don't we?

Mr FERRALL - Yes, James has mentioned to me that it is of the order of about \$3.5 million but we will need to get that accurately.

CHAIR - Justice? It is only \$110 000, which it is not a lot in the big scheme of things.

Mr FERRALL - That was the Rent Relief Fund.

CHAIR - Okay. Does anyone have questions on the RAFTs ?

Mr WILLIE - I have some questions going forward from here.

CHAIR - Do you want to get all the detail on the supplementary, and then we will come to those sorts of questions?

Mr WILLIE - Yes.

CHAIR - If we can go to the supplementary appropriation and the co related expenditure there, just give us a breakdown along similar lines of that.

Mr FERRALL - Department of Communities, \$42.8 million, this is in the sup-appropriation bill, which obviously went through both Houses and there was discussion and debate.

CHAIR - Yes, I need more detail about what it was actually spent on. We do not get a lot of detail at that time.

Mr FERGUSON - As we go through, do you want us to capture each agency first and then go into detail, or would you like us to do each agency in detail up front?

CHAIR - I think agency in detail close together.

Ms WEBB - Yes, let's do that.

Mr FERRALL - Okay.

Department of Communities: the Tasmanian hotel quarantine extension, \$42.8 million was to support the extension of the Tasmanian hotel quarantine program in 2021-22. That included providing hotel quarantine for the domestic program, repatriation flights, Tasmanian seasonal workers, Victorian seasonal workers, interstate and international supporting groups and Antarctic expeditioners. Costs include the wages subsidy provided to workers, such as hotel and security staff and includes the cost associated with the state's agreement with the Victorian Government to provide entry and pathway for 1809 Victorian seasonal workers.

Department of Education is \$8 million, which is additional education measures to keep Tasmanians safe. Additional funding was required to implement a range of facilities-related initiatives to assist in responding to COVID-19. It included improvements to ventilation, such as air purifiers, air conditioning repairs, window audits and repairs. It was effectively across a range of schools.

Department of Health was COVID-19 health managed costs, which is \$125 million. The additional funding of \$125 million was required by the department to support the Tasmanian health system during the COVID-19 response and recovery. The funding was used to support departmental activities such as vaccinations, testing, hospital and ambulance resources, contact tracing, quarantine, and purchase of equipment including PPE. As the Treasurer mentioned earlier, we do not have the details of individual procurements at that level. We can give you at a high level those costs, but not go down into what PPE was purchased, et cetera. The costs included testing clinics, public health and operational response including call centre, hospital service costs, personal protective equipment, vaccination program, non-clinical costs, and ambulance costs.

Department of Natural Resource and Environment is \$21.8 million. The \$21.8 million covered their COVID-19 border response, the border response which was the airport expansion, Parks and Wildlife Service revenue loss, and TasTraveller Management System. The border response was \$11 million, the airport expansion was \$3 million, Parks and Wildlife Service revenue loss was \$7 million, and the TasTraveller Management System is \$829 000. If you would like details or further commentary on those?

CHAIR - In regard to the airport expansion, can you tell me what that actually involved? Which airport and what were they doing, if it is COVID-19 related?

Mr FERRALL - The additional funding was required to meet the increased costs associated with the Government's initiative to support the state's ongoing border control to COVID-19 pandemic, provided for the expansion of the passenger processing infrastructure at Tasmanian airports to cater for the processing of passengers, including surge capacity. I do not have details of the airports.

CHAIR - The demountable shed when you came in, in the freezing cold.

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Ms WEBB - What was the figure on that part?

Mr FERRALL - \$7.3 million.

Mr TUCKER - The Parks and Wildlife Revenue loss, what was that about? Was that going into people paying park passes and that sort of thing?

Mr FERRALL - Park entry fees, it was leases and licences, because there were a range of fees and charges which earlier in the pandemic were effectively waived. All those revenues go towards supporting the Parks and Wildlife Service and effectively we had to support their revenue loss.

Mr TUCKER - Is Parks and Wildlife the only entity that had a loss like that?

Mr FERRALL - No, there would be a range. I cannot go through the details offhand but there was a range of revenues that would have been collected by various departments that were waived during the pandemic. In some cases, the departments would have absorbed that revenue loss. In other cases, such as Parks and Wildlife where it was very significant and they still had all of their costs incurred, they needed supplementation.

Mr TUCKER - That is why you have named it here today.

Mr FERRALL - Department of State Growth, \$45.5 million.

Mr FERGUSON - Which comes to Mr Willie's earlier question.

Mr FERRALL - There is \$2.5 million for the COVID-19 JobTrainer extension, \$3 million for the Southern Tasmanian Lockdown Business Support program, and \$40 million for the Supercharged Micro and Small Business Border Closure Critical Support Grant.

CHAIR - Surely you could have a shorter name. I often wondered about that.

Mr FERRALL - Treasury does not pick the names. The JobTrainer extensions was funding required for the extension and expansion of the JobTrainer fund which provided for key VET courses in skills training in areas that were currently experiencing shortages which include aged care, IT and childcare.

Mr WILLIE - That is just the state contribution, isn't it? There was a federal.

Mr FERRALL - The Southern Tasmania Lockdown Business Support program was to meet the cost to providing assistance to businesses impacted by the southern Tasmanian COVID-19 lockdown and in October 2021. The Micro and Small Business program was additional funding to meet the cost of extending that support for Tasmanian small businesses under that grant program. That was an extended grant program as well.

CHAIR - That included the west coast businesses that were impacted by the cancellation of Unconformity.

Mr FERRALL - Yes, under that program.

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CHAIR - You may not be able to answer Josh's question on aged care. I know that the state's stepped into the aged care area quite significantly at times. I am asking if any of that aged care related expenditure was really the remit of the federal government and if it was, was anything done about that?

Mr FERGUSON - The advice is we would not be able to comment on that here and now. I will point out the reason we have just brought up aged care was in respect of the JobTrainer fund which was the federal initiative that we were asked to provide matching funds for and that is what this component is. No doubt, there would be a component of the health-related expenditure which related to the aged care interventions.

Mr FERRALL - Finance General, \$10.5 million. There was the interstate quarantine costs, that is \$8.5 million and there was the Tourism, Hospitality and Ancillary Industry Support program of \$2 million.

CHAIR - In the ancillaries we know there was a variety of funding arrangements to support small business and the hospitality sector during this difficult time for them. What was the need for that extra \$2 million there?

Mr FERRALL - That was the introduction of payroll tax relief for businesses impacted by the border closures. It is tourism, hospitality and ancillary industries and that is what that was.

CHAIR - The \$2 million is related entirely to the payroll tax relief?

Mr FERGUSON - That was the initiative that provided the shorter-term relief up until December.

CHAIR - Any other questions?

Mr FERGUSON - That brings us up to date. We have outlined the RAFs and the supplementray appropriations for COVID-19.

Mr WILLIE - The \$150 million to the Treasurer's Reserve was for the last financial year. I think this year it goes back down to \$50 million -

CHAIR - This current year we are in there is \$150 million.

Mr WILLIE - Okay, then the following year I think goes down to \$50 million. My question is, is that going to be sufficient if we have another wave or there may be other costs?

Mr FERGUSON - Yes, that's a fair question and -

Mr WILLIE - It's quite a significant difference because you've spent \$143.6 million in the current environment - whether conditions are going to change that much -

Mr FERGUSON - Thanks, Mr Willie. Mr Ferrall will answer as well, but the provision for the current financial year is \$150 million. As we approach the next Budget there will be fresh consideration given to what the Reserve ought to be in future years as well, even though

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the Estimates for the following financial years are well stepped down from the current \$150 million.

Mr WILLIE - Re-evaluate on a year-by-year basis?

Mr FERRALL -The obvious answer is, if there was a completely unanticipated significant outbreak, then we would look at coming back to parliament with a sub-appropriation.

Mr WILLIE - Yes, okay.

Dr BROAD - Is the assumption that the major expenditures due to COVID-19 are over?

Mr FERGUSON - I don't think we can quite say that, Dr Broad, but we would hope so. The provision in the Budget currently is for the circumstances that were identified in the lead-up to the May Budget. We would certainly hope so, but we'll have to maintain a watching brief on that. I wouldn't be expert enough to guess but, in the event that a variant emerged that was unlike the recent variants where they seem to have been less severe, if a variant were to emerge that was more severe, or a different germ altogether, we would be having to give fresh thinking to that again, with potentially a provision for a higher amount, but I would be speculating. Mr Ferrall?

Mr FERRALL -No, that's fine.

Mr WILLIE - We may have to reintroduce vaccination programs and things like that, once the vaccination status wanes in the population?

Mr FERRALL - Quite possibly.

CHAIR - Those vaccines are more effective against Omicron B4 and 5 -

Mr WILLIE - There are different ones now, aren't there?

CHAIR - Yes, as I understand it, but I don't think anyone much is having that, from my understanding. I want to ask a few broader questions around how this all works in terms of the budgetary management and the Financial Management Act. We know it's only been in for three years now. Just in terms of trying to work through this, most of the information I've got is out of the supplementary Estimates statement from the preliminary outcomes and referring to the 2020-21 report and the previous year's report, as well.

The unexpended appropriation rose by \$112 million during 2022, to reach \$237 million by 30 June 2022. So, why is necessary to spend the Treasurer's Reserve? If you look - on this supplementary appropriation - that's the rollovers -

Mr FERRALL -Yes.

CHAIR - That's it. This is a new thing under the FMA, the money can now sit up to, I think it's up to 5 per cent of their budget, yes, and so it can sit there. So, whilst they've basically increased - is it rather than use that and maintain that probably pretty close to

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5 per cent of their budget, which is not insignificant number in health, for example - that sits there and we use the Treasurer's Reserve instead?

Mr FERRALL - The rollover provision effectively provides for automatic appropriation in the next year. So, it is effectively reappropriated the next year and then in the year where the rollover is it effectively falls in, or is in unexpended in the year that you've rolled forward from.

CHAIR - Okay, to clarify and make sure I'm clear on this. Whatever the amount is sitting in the unspent funds, essentially, of each department, rolls forward into the next year but forms part of their budget allocation. It is not in addition to?

Mr FERRALL - In the Budget you will see that there are estimates of the rollover and that is automatically appropriated. I will break it down to an example. If I took Treasury and we had a \$100 appropriation this year and we had a particular program or expenditure which needed to occur next year, because of timing issues it's slipped across a year, and say it was \$10, just to keep it simple, so -

CHAIR - That's 10 per cent, not five, anyway, yes.

Mr FERRALL - But I've got bigger than \$100 appropriation, but let's just use the \$100. Let's say I spent \$90 this year against the \$100, and then I used the rollover provision for next year. There is a provision in the act which provides for automatic appropriation next year. What you would see in a budgetary sense is Treasury expenditure in this year: budget \$100; actual: \$90; and in 'next year' you would see appropriation revenue effectively increased by \$10, because you get it through the automatic -

CHAIR - Why 10 and not five?

Mr FERRALL - Well, it would be five if I'd used five, it's only 10 because I used that as an example -

CHAIR - You can only retain 5 per cent, can't you?

Mr FERRALL - Yes, but I was just using that as an example, sorry.

CHAIR - Okay, sorry. Yes, just to be a purist.

Mr FERRALL - Okay, well, I had \$200 then.

CHAIR - All right, yes.

Mr FERRALL - That's effectively how those provisions operate.

CHAIR - I am just trying to understand the strategy around this. It is a fairly new process that we're using, and I'm still trying to figure out how it works in a budgetary sense, and for the reader of the Budget and us to make sense of the supplementary appropriations, whether they're related to COVID-19 or not, and the RAFS that pick up through the Treasurer's Reserve. I assume you can't roll over unexpended Treasurer's Reserve, can you?

Mr FERRALL - No.

CHAIR - So, that just disappears?

Mr FERRALL - Without making it too esoteric, in reality, the Treasurer's Reserve is actually never really spent. What happens is, the Treasurer approves additional expenditure wherever that expenditure might occur. So, if Treasury put in a RAF for \$5, the Treasurer would approve additional expenditure against a particular output for Treasury of \$5. Treasury's appropriation would go up by \$5, and Treasury would spend an extra \$5. The way it works in practice is we would cross \$5 off the Treasurer's Reserve, but the actual reserve itself - which is in Finance-General - is never really spent. The additional expenditure occurs wherever else it occurs within the public account.

CHAIR - Okay.

Mr FERGUSON - So, it's appropriated once at the beginning of the Budget.

CHAIR - As a parliament we approve the appropriation, and we note the significant increase over last year and this year to meet what has been claimed to be unexpected expenditure related to COVID-19, predominantly, otherwise the \$50 million should be enough, as a back-stop, if you like. Does it mean then that where it's preferable, or the strategy is to actually use the Treasurer's Reserve, and expend that money through the process, rather than run down the agency's retained revenues, and then can roll over into the next year to be used, like the \$5 for Treasury?

Mr FERRALL - The preferred strategy is for the appropriation to be expended where parliament has approved those appropriations. Agencies are able to retain revenue as well, depending on the sources, but they can retain revenue. Where there is revenue retention, that is ordinarily or normally for the purposes of meeting expenditure. Using the Parks example, it has some appropriation funding, it has retained revenues and it uses the combination of those effectively to meet its expenditures. We don't have a particular preference to say you should be using this as opposed to that. Our preference - or our requirement - is that the funding that agencies have is used for the purposes that parliament has approved, or indicates that reserved revenue retained for the purposes that the Treasurer has approved for the expenditure of those revenues.

CHAIR - That takes me to the point, if an agency had at the end of the financial year greater than 5 per cent their allocated budget, is that - before the end of the financial year? You would have seen that, and some of them do have pretty big operating accounts, because they have big budgets as well. You would then use the above 5 per cent portion under our section 20 transfer, to cross to other agencies that may need topping up?

I know that is a legitimate process. I am not suggesting that anything wrong is going on. I am just trying to understand what happens to that above 5 per cent in the operating budgets or retained revenue of agencies at the end of the financial year.

Mr FERRALL - If an agency has an appropriation, effectively what happens is that the appropriation falls in. If we go back to the \$100 example, so I have an appropriation for \$100, and let's just say I spent \$80 through the year. Nominally, there might be, call it, \$20 left. I would be able to use the example to rollover 5 per cent, \$5, that is appropriated for the next

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year. But in the current year, what happens is that \$20 of appropriation effectively just falls in. So that the appropriation ceases as at 30 June.

CHAIR - So the money is not spent?

Mr FERRALL - That is right. The appropriation is an authority. The appropriation does not create money per se. Behind the scenes, in how Treasury operates, well when we know an agency is drawing down an appropriation, we have to ensure that effectively through the Westpac banking system, that there is cash there to support it. We manage the cash behind the scenes. But the appropriation is the authority to spend; it does not actually create the money.

CHAIR - No, I accept that. The money - let's say there is 10 per cent left in an account at the end of the financial year, rather than lose that money from the system, so to speak, would you - this is in retained earnings or retained revenue, I think is called - unexpended appropriation sorry, is the correct term?

Mr FERRALL - Yes.

CHAIR - Would you be likely to use a section 20 transfer to move that funding to another agency?

Mr FERRALL - It could go to another agency, but it tends to be rare to do that. What you would more likely see is within - if you take the appropriation bill, it is supported by the budget papers, and the budget papers detail a range of outputs, which are effectively the reasons for the appropriation, that, essentially, is what those outputs are.

Again, I use a Treasury example, we might have a particular output that appears that is going to be \$5 over in expenditure against the appropriation, we might have another one that is \$5 under in terms of appropriation. So, as a head of agency, then I could go to the Treasurer and say, look this output looks like \$5 over, and this one looks \$5 under, then I use the transfer provisions with the approval of the Treasurer to transfer between those appropriations. So, at the end of the year -

Mr WILLIE - This is a transfer of authority, not funds, isn't it?

Mr FERRALL - Yes, that is right. At the end of the year, the total Treasury appropriation would all have been expended using that example, but one output might be \$5 up and the other output \$5 down. It is the Treasurer's authority under the transfer provision which allows that movement across outputs.

CHAIR - It also allows movements across agencies.

Mr FERRALL - It does. My point is that it can be facilitated by the act, but it rarely happens that it goes across agencies.

CHAIR - If you go to the primary outcomes, the section 20 transfer is there. Don't they relate to transfers between agencies?

PUBLIC

Mr FERRALL - I have to check if there were any like that. Last year there were a couple across agencies. There was Finance-General: there was a \$7.5 million that went from Finance-General to State Growth, and there was one between Justice and Premier and Cabinet. They are examples of ones that were large that went across agencies. I would have to go back to get the detail.

CHAIR - How were they reported, the inter-agency transfers?

Mr FERRALL - They are shown in the Supplementary Estimates table.

CHAIR - Under table 3.3?

Mr FERRALL - Yes, it is on the second page of that table. It is before the section 21 Treasurer's Reserve.

CHAIR - Okay.

Mr FERRALL - It does occur. It tends to be where there is a particular activity that has occurred in an agency or might have been a change through the year and the actual output might be within another agency. In that case the transfer from Finance-General to State Growth, without remembering the detail of it, I would say that there was an activity in State Growth that was occurring in terms of a grant program or similar but the originating appropriation and output might have been in Finance General.

Mr TUCKER - So it is a transfer of costs between the agencies.

Mr FERGUSON - Again, the money was appropriated once and there has been transfer of authority.

CHAIR - Yes, into the Treasurer's Reserve.

Mr FERGUSON - Yes.

CHAIR - This is why we have often made the comment that a very large Treasurer's Reserve does need following up to see where the money has gone and for what purpose. Otherwise how do you justify appropriating \$150 million, just in case?

Mr FERGUSON - It is routinely and uniformly reported so there is no -

CHAIR - I am not saying there is anything hidden.

Mr FERGUSON - I know you are not but there is no capacity for a Treasurer today or in the future to not have a full disclosure about those transfers.

Mr FERRALL - All of the approvals are provided to the Auditor-General and the Auditor-General uses that effectively as part of his review of agencies. We provide the Auditor-General all RAFs that have been approved by the Treasurer. When he is undertaking audits within agencies and an agency says, well I have a RAF of \$10 on this output he can trace back to his authority and the approval for that. Then they are reported to parliament as well.

PUBLIC

Mr WILLIE - Are other states using these budget management practices at the moment with Treasurer's Reserves increasing?

Mr FERRALL - I could not tell you exactly whether they are increasing Treasurer's Reserves. It depends on the provisions within their own acts how they operate. Our act is more similar to South Australia than some of the other jurisdictions.

Mr WILLIE - I will have a look at theirs.

Mr FERRALL - Ours was 2016 and then it was introduced a little bit later.

Mr FERGUSON - Compared to the other states, we have had more recent reforms.

Mr FERRALL - I haven't chased the other states in exactly how they operate.

CHAIR - Shane, did you have any questions?

Dr BROAD - Not related to the topic you have just been talking about but I do have some other questions. I am wondering about your CMF, your community management facilities. I know you have wound up all your vaccination centres, so are all those then disbanded?

Mr FERGUSON - That would have to asked of the Health department, I feel.

CHAIR - Write to Health for that one.

Dr BROAD - Was there any expenditure, I suppose?

Mr FERGUSON - We are not in the period where we would be receiving the request for additional funds if there was a need for additional funds. The financial management and the budget management for those kinds of matters continue to be within those line agencies but we do not have visibility on that today.

Dr BROAD - Would you say the same about the surge planning in the hospitals and so on? The funding for that?

Mr FERGUSON - I would give a similar answer, Dr Broad. The agencies continue to manage with their budgets as authorised under the Budget that has been through parliament. In the event that there was less expenditure needed than required then there is a mechanism for that to be reported. In the event that there was a greater need then there is a mechanism for us to supplement them through a RAF or potentially a supplementary appropriation bill if it was a large amount. I do not have any evidence on that today here and now. If the committee wanted us to explore that, well we could take it on notice and it may be easier for you to go to the relevant minister.

CHAIR - We could talk about it offline if you would like, Shane?

Dr BROAD - Okay. Another thing from your submission, it says that Ambulance Tasmania has also increased its aero-medical retrieval capability. I thought the aero-medical was actually controlled by the police in terms of where it is funded from?

Mr FERGUSON - That is a good question. I am working on dated knowledge on this one, but I set it up as health minister. The police had the contract for the actual helicopter service, but then there was the aero-medical retrieval teams, which is a medical-based capacity, which is vested in the THS. There may be a combination of expenditure on that, but I would not like to be definitive about that today. Again, that would be a question for the relevant departments. Potentially both of them, Dr Broad.

Dr BROAD - You have a turn.

CHAIR - Going back to understanding of how the use of the Treasurer's Reserve. Looking particularly at the unexpended appropriation, the unexpended appropriation for health on June 2021, was \$9.5 million and it received \$51.8 million from the Treasurer's Reserve. This is in the previous year, and there was a \$75.8 million unexpended appropriation at June 2022. Does this mean the Treasurer's Reserve was not needed, because they had enough money there that it actually covered what they received from the Treasurer's Reserve, or is it effectively being used to keep the retained appropriations within that 5 per cent band? Otherwise you lose it, as you said. You cannot roll over Treasurer's Reserve?

Mr FERRALL - There are a couple of issues on these things. One is a question of timing. An agency might, say in terms of the budget, indicate to us that in March for the upcoming budget that effectively they are going to be over or under-expended by June and that would be generally reflected in the estimated outcome that is published with the budget. Subsequent to that when you have gone past June and they have an actual outcome, and those initial opening and closing balances get updated, for whatever the actual outcome is in some cases, you will see - I guess from your point of view, anomalies in terms of how that might appear because you are looking at, effectively, the estimated outcome. Then when you finally do the final budget and go forward it is different. That can occur across years.

At an agency level, in terms of expenditure of their retained earnings and expenditure of appropriation, again, sometimes what can happen with the agencies is they think a particular component would be expended from their own sourced revenues, but they end up expended legitimately from the appropriation and that can also move those numbers. Under the legislative framework we have, we do not control at the very agency level. The whole purpose of the legislation in part was to step back and provide agencies with the capacity and flexibility to manage appropriately at that level.

Our role is ensuring the appropriation is properly spent and those sorts of things. Not what might be occurring in an agency level with own sourced revenues. Again, if you have a specific example of the one you are giving you would really need to speak with the Department of Health or Department of Justice -

CHAIR - I am trying to understand the strategy and if there was unexpended appropriation greater than the value of the dollars that were provided from the Treasurer's Reserve to meet unexpected expenditure, why wouldn't you use that up first?

Mr FERRALL - An agency probably would.

CHAIR - But then they end up at the end of the financial year with up to 5 per cent of their retained appropriation, which in some agencies is a very large amount.

Mr FERRALL - Yes, I think you also have to understand that when the Treasurer has to approve RAFs, you don't have perfect 30 June information. Again, you're still in a situation where RAFs are approved prior to 30 June and it's really on the basis of what agencies believe they need. You do have circumstances where an agency might have - I go back to my Treasury \$20 example: Treasury might put a RAF in for \$20; we get to 30 June and we find that we only needed \$18, then all we expend is the \$18, so effectively the extra \$2 of that would fall in as a save. In some cases, in the examples you have given, you would potentially see that as well. You cannot just add up the original appropriation plus the RAFs then -

CHAIR - You see how hard it is to follow the money. Our job here is to ensure that money we agree to appropriate is spent for the purposes for which it's appropriated. Hence, \$150 million sitting in the Treasurer's Reserve, which is appropriated for unexpected expenditure, it's important that we understand where it goes and for what purpose -

Mr FERRALL - Absolutely.

CHAIR - particularly when you have big operating balances sitting in some of these agencies' accounts, within 5 per cent of their budget they can roll over, and getting topped up from the Treasurer's Reserve of an amount less than that, from the 2021-22 example I gave you.

Mr FERRALL - Yes, some of -

Ms WEBB - Can I clarify my understanding of what you are saying? I think you were saying if we have seen an agency seeking money from the Treasurer's Reserve, we wouldn't then expect to see that they rolled over unexpended appropriated funds from their budget, because presumably they would have had to use it up, or planned to use that first before they got -

CHAIR - Essentially, yes.

Mr WILLIE - Some of it could be explained - just clarifying some thinking here too - with the financial reporting period and the timing of that, couldn't it? An agency might have an expense or an account issued to it after the financial period that - but there could be variations like that across agencies.

Mr FERRALL - For there to be a roll-over, there should be an upcoming commitment. In the old legislative framework, effectively there would be. Treasury might say, 'Look, I need to roll over some funding', and we used to actually roll it over, rather than an automatic appropriation. That could be because a particular payment or commitment didn't have to be met in the current financial year but had moved into the next financial year. So, we used to roll funding over through what was the special deposit trust fund and the appropriation would be moved from the consolidated fund to the special deposit trust fund. In the special deposit trust fund, that was effectively then rolled over post-30 June, even though the appropriation fell in. That was the old provisions.

The new provisions effectively provide for automatic appropriation in the next year but it is still based on the similar concept that there should be a commitment or requirement that it is largely moved from one year into the next year.

PUBLIC

CHAIR - Just to clarify, then, that automatic appropriation is not on top of what they would have put their budget submission in for; it's part of it because it's part of the expenditure they expected. Is that right?

Mr FERRALL - I think the very short answer of that would be no, because when an agency puts in its budget submission, and when the budget process is kicking off, an agency puts in a budget submission well in advance of the budget and well in advance of the end of the year. It would be very unusual for an agency that is putting in budget submissions effectively now for the 2023-24 year to be able to say, 'In 30 June 2023, I am going to have x unexpended appropriation.' Largely, they would not know.

CHAIR - But they do know what they have now, or they had at the end of this financial year, which we will see very soon, probably next week, all of them, when they land all on that table at once -

Mr FERRALL - Yes, you will see all the actuals.

CHAIR - and the table breaks under the weight of them all, in one week. This is the end reports I am talking about, Treasurer.

Mr FERRALL - I think the challenge you are articulating, which I understand, is that when you look at the public account you layer down. We provide information at a certain level. Clearly, we could not report in TAFR every single transaction that has occurred in the public account. That would break your table.

From your committee's point of view, we provide at a certain level and then it's a question of if you want further information or further scrutiny you need to think about what are the areas that you want to burrow down in. We can go to a certain point and the Treasurer, as he has indicated, we are very happy to give you that level of information, everything we have got effectively. But then if you want to get down into stuff within agency and much lower, your inquiry has to be at that level.

CHAIR - The budget Estimates process can utilise some of those processes. I am looking at the strategic response I get in terms of how the FMA is designed to work, particularly the use of the Treasurer's Reserve, then obviously the supplementary appropriations on top of that.

Shane, did you have another question? I know the minister has to go shortly. Time is up. Was it urgent, Shane?

Dr BROAD - No, if time's up. I don't have much to add.

Mr FERGUSON - We certainly look forward to your letter, to provide you with any further detail you may require and I hope that has been useful today.

CHAIR - It has, thank you. I appreciate your time.

The witnesses withdrew.